Citibank
(China) Co., Ltd.

2016 ANNUAL REPORT

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Citi's Value Proposition: A Mission of Enabling Growth and Progress

Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress.

Our core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients. We have 200 years of experience helping our clients meet the world's toughest challenges and embrace its greatest opportunities. We are Citi, the global bank – an institution connecting millions of people across hundreds of countries and cities.

We ask our colleagues to ensure that their decisions pass three tests:

They are in our clients' interests

Create economic value

Are always systemically responsible

In 2016, Citi as a firm has maintained its focus on ensuring all its decisions are in its clients' interests, creates economic value and always systemically responsible. As the world' s most global bank, we maintain that our globality remains our advantage as our unique network is well-positioned to help our clients across different countries to navigate changes.

Here in China, our strategy is fully aligned with our firm' s global mission and we are committed to enabling growth and economic progress in this vital market.

Globally, Citi reported net income of USD 15 billion for the full year of 2016 with Asia continued to be the largest earnings contributor outside of North America. In China, Citibank (China) Co., Ltd. ("CCCL") has maintained growth for 2016 with net income at RMB 1.16 billion, an increase of 8.8% over 2015, and capital adequacy ratio standing at 16.5% - well above the regulatory requirement.

Our strength as a global bank is reconfirmed as we were once again named as Best Global Bank and Best Global Corporate and Institutional Bank in China by the Asset Magazine in its annual Triple-A country awards.

The Institutional Clients Group has grown steadily as we continue harnessing our unique global network and in-depth local market understanding to serve our target client segments where we have deep strengths. Notably, our China Desk network has played a crucial role in allowing us to continue offering a truly end-to-end service for our China corporate clients as they drive forward global expansion and operations. As a global bank committed to helping our clients better navigate and capture the array of opportunities in a transforming landscape, our efforts and contributions were recognized by Citi global network as the Corporate Banking team in China ranked as the best "Parent Account Manager" in 2016. We are also proud of our various enhanced capabilities to better service our clients including becoming the first global bank to join the Inter-Bank Payment System (IBPS) - a status that has enhanced our capability on offering low value collection and improved customer experience.

Our active participation in and contribution to the Shanghai Free Trade Zone (SFTZ) continued to remain solid. We are proud to become the only foreign bank to be named by the SFTZ government as the "2016 Partner of the Year". Whether it was to provide banking services to support Chinese clients' international ambitions or serving as a gateway to offer multinational clients access to tailored and flexible solutions, CCCL has made much strides throughout 2016.

For the Global Consumer Banking, we continued to fully deploy our "Digital First" strategy. We have made exciting partnerships with some of China' s largest digital ecosystems including WeChat and Alipay. On our proprietary platforms, we rolled out an enhanced Global Mobile application including features such as "snapshot" and "touch id", as well as online wealth financial planning tools such as "Total Wealth Advisor" and the Remarkable Customer Experience, which allows straight through on-boarding service for our credit card customers. All these efforts have enabled customers to view and protect their savings, offering straight through payment, investments and lending solutions on digital platforms. Being real-time and intuitive, it creates the best outcome for our customers and enables us to continue pushing toward becoming a future-compatible competitor.

As we maintain focused on allocating resources that position us well to pursue future opportunities for sustainable growth, we remain committed to meeting regulatory expectations as well as upholding our responsibilities toward our stakeholders by serving as a trusted partner.

Citi is deeply rooted in the China market and we are optimistic about our long-term growth here. By leveraging our strong global network, leading product platforms and expertise, we will continue providing the best banking services and solutions to serve the needs of our clients and support the ongoing development of China' s financial industry. Simply put, our aspiration is to bring the best of a global bank to China and being the best at everything we do so we can make a positive impact in the communities we serve.

Christine Lam

President, Citibank (China) Co., Ltd.

Chief Executive Officer, Citi China

01 2016 KEY BUSINESS MILESTONES

"Citi first established operations in China when it opened its Shanghai office in 1902. On April 2, 2007, Citi China became a locally incorporated, one of the first foreign banks to be approved by the China Banking Regulatory Commission ("CBRC") to do so. Known as Citibank (China) Co., Ltd. ("CCCL"), Citi is a leading international bank with footprint in major cities across China. It is also the most global of all international banks that does business in more than 160 countries and jurisdictions around the world. Citi China is proud to have achieved a number of highlights at both the franchise and business level in 2016."

Franchise Key Highlights

In the annual Triple-A country awards for 2015, the Asset Magazine named Citi the Best Global Bank and Best Global Corporate and Institutional Bank in China, marking the ninth year in a row for China to win Best Bank.

Citi was ranked "Top Foreign Bank Employer in China" for sixth consecutive year by Universum. The result was based on a survey of 55,433 university students majoring in Business from 110 top universities across China.

Citi employees celebrated the eleventh annual Citi Global Community Day on May 28. With more than 4,000 employees and their families and friends participating in 29 events across China, the annual event leverages Citi' s expertise and human capital to maximize philanthropic impact in the local communities where we live and work.

ICG Business Key Highlights

Citi China became the first American bank to receive a Type A Bond Settlement Agent license from the People' s Bank of China ("PBOC") to act as a bond settlement agent in the China Interbank Bond Market ("CIBM").

Citi became the first global bank to join Inter-Bank Payment System (IBPS) in August, which enhanced our capability on offering low value collection and improved customer experience. With the continuous improvement of cross-border RMB clearing capability, we provided RMB cross-border clearing solutions for our cross-border payment platform WorldLink and Citibank NA Hong Kong Branch and Singapore Branch.

Within the Shanghai Free Trade Zone (SFTZ), a package of cash management and trusteeship services was also launched in June for foreign central bank institutions to enter the domestic RMB market after the currency obtained permission to join the Special Drawing Rights (SDR) basket. Citi's settlement volume of cross-border Pooling in 2016 was ranked #1 and its market share of cross-border POBO/ROBO further accounted 49% of all local and foreign banks with the same business in the SFTZ.

Citi China participated in the milestone World Bank SDR bond underwriting in China and also acted as sub underwriter in the Poland Panda bond.

GCB Business Key Highlights

In an agreement with China International Fund Management Company ("CIFM") in January, Citi was able to start offering its first Hong Kong fund approved for distribution in China mainland - JPM Asia Total Return Bond Fund ("the Fund"). The Fund was made available for distribution in Citi's retail outlets. Under the framework of Mutual Recognition of Funds ("MRF") between mainland China and Hong Kong, CIFM is among the first batch of fund houses approved by China Securities Regulatory Commission to offer Hong Kong MRF products in mainland China.

Focused on digital transformation, Citi accelerated our digital capabilities and integrated with new digital ecosystems as well as invested in our e-banking platform. We have made key developments with partnerships including with WeChat and Alipay, enabling our customers to enjoy remarkable client experience straight through onboarding.

In September, Citi launched its Prestige Credit Card in China. A new addition to its growing credit card family, it caters to the lifestyle needs of high-end business travelers. Citi Prestige is Citi' s first global credit card. The card is currently available in 14 other markets, offering customers a common set of global benefits and experiences.

Citi rolled out Citi Priority as part of the wider Asia Pacific roll-out to replace the existing Citibanking segment and becoming the key pipeline to Citigold. We have also refreshed the value proposition for Citigold, the personalized financial advisory services to affluent individuals, to bring clients better products and services as well as a differentiated experience.

Citi has continued hosting the Wealth Management Forum (WMF), a multi-expert advisory platform providing Chinese clients with insights surrounding global economic topics and the latest investment trends. In 2016, a total of six WMFs were hosted across five cities and reached almost 3,000 clients.

02 INSTITUTIONAL CLIENTS GROUP

"Citi' s Institutional Clients Group enables progress by providing multinational and local corporates, state-owned enterprises, financial and public sector institutions a full suite of strategic advisory and financial products via an unmatched geographic breadth and product depth. We are a trusted partner committed to supporting our clients' local and global innovation and growth through our network of 98 countries. Citi maintains one of the largest global financial infrastructures and facilitates approximately $4 trillion of flows daily on average. This is what enables Citi to serve its core clients with distinction."

Global Subsidiaries Group

The Global Subsidiaries Group (GSG) at Citi China continues to be recognized as one of the best platform for the multinational client segment in the country. It is the 'one stop shop' for corporations when they need to enter China, and also after having been established in this critical market. Our client focus, innovative portfolio of products and solutions, and broad geographic coverage have been allowing GSG China to serve an expanding and diverse client set comprised of the most important global corporations.

In 2016, our leadership continues to be proven by our client satisfaction indices, which stay well-above industry norms and our business continues to grow. We help clients raise funds from capital markets and reduce transactional risks by means of innovating and implementing cross-border solutions, as well as continually leveraging our global network and expertise. We have also maintained a high level of focus on developing our relationships with emerging market-parented clients further, and invested heavily in our traditional business – supporting subsidiaries of United States, Europe and Japan headquartered multinationals. We have also continued to organize seminars focused on industries, functions and geographies for clients to discuss their most current challenges and needs. In these events Citi showcased thought leadership, shared important market trends and best practices.

China has become one of the largest markets for many global companies. Our mission at the GSG is to remain as the 'go to' banking partner in this critical market for our clients and our firm.

Financial Institutions Group and Public Sector Group

Driven by institutional clients' special needs, the Financial Institutions Group (FIG) and Public Sector Group (PSG) provide comprehensive financial solutions to a wide range of financial institutions and the public sector, including banks, insurance companies, securities firms, fund managers, trust and leasing companies, and sovereign wealth funds.

In 2016, the team has continued to focus on supporting clients such as insurance companies as their investment continues to grow and diversify globally. Serving as several major insurance companies' global custodian bank, while also possessing the largest market share in terms of insurance QDII quota, we continue to leverage our global platform to proactively update clients with timely market information. FIG and PSG has achieved significant market share in 2016.

Corporate Banking

Citi's Corporate Banking department is responsible for large Chinese corporates, to provide relationship coverage for comprehensive banking services to ensure the best possible services and support to our clients.

In 2016, we continue to serve our corporate clients with distinction, building enduring relationships and providing them a full suite of Citi services from strategic advisory to financing products that help them grow and deliver products and services. Rooted in the local market, the team has achieved a number of landmark transactions in 2016 including being the Joint Global Coordinator for corporate bond issuance of many SOE (State Owned Enterprises) and POE (Privately Owned Enterprises) companies, and also the Mandated Lead Arranger and Book Runner for major syndication loans on market.

Our China Desk network also continued its strategic focus and expansion to support China corporates' global expansion and operations. As China' s influence rapidly expanded beyond its shores as an emerging market giant, our nine China Desks (in Hong Kong, Singapore, US, UK, UAE, South Africa, Kenya, Brazil and Kazakhstan) looks after clients doing business in more than 80 countries. This unique model has proven to be successful in ensuring that our Chinese clients enjoy a true end-to-end service wherever they go. Notably, working in close partnership with Citi' s global network, China Corporate Banking has become a valuable asset to Chinese corporates with expansion plans along the Belt and Road regions. In 2016, the team was voted by Citi' s global network as the best country Parent Account Manager (PAM) team – signifying firm-wide recognitions from internal peers for China' s contributions to the firm' s global network.

Securities Services

Securities Services (SS) offers a wide portfolio of products and services to sophisticated institutional investors across the world to support and facilitate their capital markets investments. Our main products include direct custody and clearing, global custody and fund services, prime finance and futures, as well as depository receipts, and agency and trust.

We are proud of our broad domestic and international client base, which includes broker dealers, asset managers, insurance companies, private banks, sovereign wealth funds, pension funds, monetary authorities and central banks. Citi's deep experience in servicing international institutional investors and our close working relationship with Chinese regulators and market infrastructure enable us to maintain our position as a leading QFII Custodian since our QFII custody business commenced in 2002. Meanwhile, Citi has also been acting as a leading QDII Custodian in the QDII market. We have been providing custody and fund administration services to our various QDII clients since 2006 by leveraging our regional infrastructure and Citi's global platform and operating model. With the opening up of China' s capital markets, in 2016 we also successfully facilitated a number of international financial institutions and sovereigns to access the China Interbank Bond and Foreign Exchange Market.

Markets

As one of the top Markets teams among international banks in China, Citi offers a broad range of market-leading and innovative financial products to corporate, institutional, government and public sector clients. In 2016, Citi Markets sustained strong performance and maintained its leadership position in foreign exchange, interest rates and commodities. We participated in the milestone World Bank SDR bond underwriting in China and also acted as sub underwriter in the Poland Panda bond as well as a series of AFC ABS issuance.

In recent years, with many Chinese companies showing greater interests in going global, the Markets team has been focused on offering these internationalizing Chinese companies with total solutions. In 2016, we help corporates set up global risk management platforms, manage foreign exchange exposures, and also provided support to conduct structured finance and customized structured solutions in emerging markets.

Meanwhile, Citi China also partners with other banks and financial institutions including mutual fund, insurance, pension and sovereign fund companies, to leverage on each other's strengths and benefit customers with more comprehensive solutions tailored for their unique needs.

In December 2016, CCCL. received its Type A Bond Settlement Agent license from the People' s Bank of China ("PBOC") to act as a bond settlement agent in the China Interbank Bond Market ("CIBM"). Citi was the first and only American bank to be granted such a license.

Treasury and Trade Solutions

Citi Treasury and Trade Solutions (TTS) delivers cash management and trade solutions that help clients streamline and automate processes, mitigate risk and expand their reach.

In 2016, we have introduced new products to the local market including eCommerce, Worldlink, Supplier Finance Solutions, Electronic Trade Platforms, Multi-banking solutions, RMB and FCY cross border pooling, POBO ROBO and Netting, by combining our in-depth local market understanding, unique and market leading global product platforms as well as insights from closely following China' s move toward deregulation. We have also enhanced our leading position in Buyer-Centric Supplier Finance Solutions through powerful platform and expertise in the post-implementation planning, strategizing and relationship management of clients' suppliers. We have also embraced end-to-end digitization through Citidirect BE to offer sophisticated solutions in the market. In 2016, four of our clients were recognized with the Tao Zhu Gong Award for their treasury management excellence and innovation, and also seven clients received the Highly Recommended Award. This prestigious award is an annual award established by EuroFinance and is one of the most anticipated industry recognitions for treasury and financial professionals in China.

By leveraging opportunities presented by the incremental reforms in the Shanghai Free Trade Zone (SFTZ), we are able to efficiently connect our clients' liquidity in China with the rest of the world. With these new solutions, CCCL continued helping clients reduce intra-group financing cost and optimize treasury management, mitigate the increasing market and credit risks by actively providing local corporate clients with various trade solutions while supporting the local economy' s development. In 2016, CCCL carried over 70 RMB & Foreign Currency cross-border Pooling, POBO/ROBO and Netting structure within the SFTZ as well as across China. Our annual settlement volume of cross-border Pooling in 2016 also ranked #1 among 29 local and foreign banks that owns the same business within SFTZ. Our ongoing efforts have earned us a number of accolades including being the only foreign bank named "2016 Partner of the Year" by the Shanghai Financial Trade Zone government for our ongoing contribution to the area.

The 2016 Treasury and Finance Conference successfully took place in Shanghai with over 250 clients representing 180 companies across the region in attendance. As TTS' annual marquee event for trade and finance decision makers, this year' s conference focused on "Unlocking Growth" for clients by integrating macroeconomic, business, professional, and product perspectives.

03 GLOBAL CONSUMER BANKING

“Citi’ s Global Consumer Banking (GCB) operates three businesses – the largest global credit card issuer, a retail bank with an urban footprint and a commercial business serving small and mid-sized clients. Serving as a trusted partner to customers in 19 countries worldwide, we have maintained focused over the past few years to transform and drive client led growth be becoming simpler and offer better client experience.”

In China, GCB has continued upholding the bank’ s unique global network, premium brand, distinctive products and services essential to serving the affluent and emerging affluent customer segments. We have also accelerated our journey to becoming a future compatible competitor. Citi’ s digital strategy in China is very simple. It is built around delivering remarkable experiences to customers wherever they are and leveraging Citi’ s unique strengths of globality and brand.

Digitalization

China is leading the world in digital transformation and consumers have embraced mobile technology resulting in increased emphasis on digital banking. In 2016, China GCB embarked on its digital banking initiatives that combined both in-house development as well as integration to key partners / social media platforms across multiple initiatives.

In 2016, we accelerated our digital capabilities and integrated with new digital ecosystems as well as invested in our e-banking platform. We have made key developments with partnerships that include China’ s largest Digital Ecosystems (WeChat and Alipay), where our customers can enjoy remarkable client experience straight through onboarding. Citi also launched several innovative Wealth Management advisory tools like Total Wealth Advisory, Model Portfolio and Citigold Diversification Index. Citi's global and regional research teams collectively developed these tools to help customers better understand their investment portfolio and the challenging market. Meanwhile, Citi launched the newly-refreshed Citi Mobile App featuring easy-to-use functionality and interfaces such as Snapshot and Touch ID. In addition, Citi clients are able to purchase and redeem overseas funds directly through online banking. We enhanced the social media presence in 2016 for both credit card and banking services by setting up a subscription account on this new platform enabling customers to receive posts, latest campaigns, merchant offers, and apply for products. For the credit card subscription account in particular, key capabilities introduced in 2016 further allow customers to obtain information surrounding transaction and statement balances, rewards inquiry as well as installment services.

Citi Wealth Management Public WeChat Account

Citi Credit Card Public WeChat Account

Citi Mobile APP

Wealth Management

Citi provides a comprehensive suite of industry-leading and personalized wealth management services that offers a host of top-tier benefits to China's affluent and emerging affluent customer. We have continued to introduce enhancements to our retail bank and investment offerings to meet Chinese clients' evolving financial needs and to align our distinctive global offerings.

In 2016, Citigold' s relaunch provided customers with new tools such as Total Wealth Advisor that uses sophisticated models for financial planning based on Citi's global expertise in private banking and institutional markets, and the Citigold Diversification Index, an internally designed framework to measure a client's portfolio diversification. The Citi Priority introduction – part of the wider Asia Pacific roll-out – offers a new global segment specifically targeting China' s emerging affluent segment.

In addition to our global banking services, Citi's wealth management solutions also pay special attention to the optimization of customers' asset allocation based on their risk tolerance. We design tailored asset management solutions for customers according to their life stages, with insurance planning as one of the most important offerings that ensure risk prevention throughout the different stages.In order to provide insurance products that are tailored to customers' individual needs, Citi has placed great efforts in helping customers select trusted products from industry-leading insurance companies. We focus on five aspects: Legacy Solution, Retirement Solution, Protection Solution, Elite Junior Plan, and Investment Management Plan. Citi's ongoing strategic Banccasurance partnership with AIA has continued to lay a crucial foundation in 2016 to cultivate future growth, which has already bore fruits.

Citi China has also continued to deliver the Wealth Management Forum (WMF) – a multi-expert wealth advisory platform that provides insightful presentations on global economic topics and the latest investment trends from Citi experts and global leading asset management companies. In 2016, six separate forums were held in five key Chinese cities reaching almost 3,000 clients. The average customer satisfaction rate for 2016' s WMF reached up to 97%. With ongoing market uncertainties throughout the year, the team has also initiated for the first time telephone conferences targeting customers across the China market to provide in-depth market insights and analysis from experts. The two telephone conferences attracted over 1,800 customers and provided wealth advisory as well as insights surrounding Brexit and the U.S. Presidential Election.

Highly focused on our priorities and the execution, we are committed to serving our clients with the utmost dedication and remaining their banking partner of choice as they achieve their financial goals.

Credit Card

Citi is the first global bank in China to issue our own proprietary credit card in 2012. The Citi Rewards card was uniquely focused on offering rapid rewards accumulation and convenient redemption. Premier Miles that followed suit was specially designed for customers with travel needs. In 2014, the Ultima card was unveiled that specifically targets the very top tier of affluent customers.

In 2016, Citi introduced its newest card offering in China – Citi Prestige – targeting the lifestyle needs of high-end business travelers. Making its debut in major cities including Shanghai, Beijing, Guangzhou and Shenzhen, Citi Prestige is a global credit card that is currently available in 14 other markets, offers customers a common set of global benefits and experiences. It is designed to ensure that every detail exceeds customers' expectations and also stands out as the first card in market tailored to value and reward customers for their relationship with Citi.

Commercial Banking

Established in China in July 2004, Citi Commercial Banking (CCB) positions itself as a financial consultant to the Small and Medium-sized Enterprises (SMEs) clients and places top priority on helping their business achieve rapid, sustainable growth. Leveraging Citi' s global network, CCB provides the widest range of innovative and tailor-made products and services, including Trade Finance and Services, Cash Management, Treasury Products, and Loans.

In 2016, the team has sharpened its focus and acquired a host of new clients in well-defined target market, including the digital segment and also Listed Companies in China. With Citi' s unique global network, CCB has also been an important partner for global-minded Chinese companies, offering a wide range of global cash management service and strong local market intelligence support in domestic and overseas markets. Meanwhile, the team helped foreign enterprises expand their business in China by providing various cross-border financing solutions, such as AEP - Approval Elsewhere Program. For companies in quick business expansion, the Host-to-Host solutions further supported clients with online banking platform automated linking to their companies' ERP, as well as providing sophisticated and comprehensive reconciliation reports - enhancing clients' overall cash management efficiency by largely improving the automation, connectivity and security.

Ensuring SME and medium-sized clients are continually kept apprised of market movement so they can build more sustainable business strategies, the team has continued delivering trainings, seminars and networking events with themes on cash management, supplier finance management and "Go overseas" strategies. CCB also provided existing clients with various training programs, which offer Citi' s insights on latest market trends, such as RMB internationalization and foreign exchange rate liberalization, cross-border cash management, E-banking utilization as well as Free Trade Zone policies and strategies.

04 | CORPORATE GOVERNANCE

“ At Citi, we aspire to the highest standards of corporate governance and ethical conduct. We act in the best interests of all our stakeholders, maintain the highest ethical standards, and ensure full compliance with the laws and regulations that govern our company. ”

Board Composition

As of December 31, 2016, there were 9 directors in total:

- 5 Non-Executive Directors;
- 2 Executive Directors; and
- 2 Independent Directors.

Four Board meetings were held in 2016, in March, June, September and November respectively. There were 66 matters approved by or reported to the Board (including 39 motions for approval and 27 items for report) in the Committee meetings and Board meetings in 2016. Directors have actively participated in Board meetings, reviewed Board meeting materials, had robust discussion and raised valuable comments and suggestions to enhance the Bank' s business operation and to ensure Bank's healthy and sustainable development.

All Directors have performed their duties in accordance with the Company Law of the People' s Republic of China, the Commercial Banking Law of the People' s Republic of China, the Regulations on the Administration of Foreign Funded Banks of the People' s Republic of China, and Articles of Association of the Bank. After the issuance of the Guidelines on Corporate Governance of Commercial Banks, each Director was able to perform his/her duties diligently and discharge his/her responsibilities conscientiously to protect the interests of various stakeholders.

Directors fully understand the fiduciary responsibilities of the Board are more important than those of non-financial corporations. In addition to general fiduciary duties, the Bank also has special fiduciary duties due to the absorption and management of deposits. Directors have spent significant time and attention collecting information on and analyzing the Bank' s operations either during the Board meetings or during the intersession of the Board meetings.

Our Directors also maintain high ethical standards ensuring abstention from deciding the matters with potential conflict of interest.

The Board of our Bank has reviewed and discussed the internal audit quarterly report, capital adequacy compliance plan and policy, stress test plan, various risk limitation, continuity of business report and plan, information and technology strategy, material related party transactions, etc. In carrying out these actions, it is the objective of the Board that the Bank abides by the law, regulations and rules, effectively protects the legitimate rights and interests of the shareholder, the Bank, employees, depositors, banking regulatory authority and other stakeholders and effectively performs its fiduciary duties.

All meeting resolutions and meeting minutes were duly reviewed and signed by all the Directors present at the meeting. The meeting minutes are complete and have been submitted for filing.

Independent Directors

Independent Directors have performed their duties with a focus on providing independent and impartial opinions on related party transactions, intra-group transactions, material risk management, and so on, in the best interest of the Bank. Mr. Stephen Long, Mr. Sun Zhe (before 19th June, 2016) and Mr. Terrence Lau (after 30th August, 2016) issued their opinions in terms of each material related party transaction resolution of the Board.

Supervisor

CCCL does not have a board of supervisors, but has a single supervisor designated by the shareholder. CCCL' s Supervisor Mr. Mark Hart performed his duties diligently and attended all of the Board meetings and Ad hoc Board meetings in 2016, and issued confirmation letters to all meetings he attended accordingly and the written resolution he reviewed. In addition, Mr. Hart reviewed CCCL' s financials and the performance of directors and senior management personnel. The Supervisor also provided opinions in relation to the 2015 audited financials, the performance of the directors and the senior management personnel and their performance relating to management of liquidity risk.

Non-Executive Directors

Chairman/Non-executive Director	Weber LO
Director	Anand SELVAKESARI
Director	Paulus MOK
Director	Piyush AGRAWAL
Director	Gerald Francis KEEFE

Executive Directors

Director	Christine LAM
Director	Daisy YAO

Independent Directors

Independent Director	Stephen LONG
Independent Director	Terence LAU

Senior Management

The senior management team of the Bank has performed an active and leading role in optimizing the Bank's corporate governance, expanding the Bank's footprint, enhancing the Bank's performance and risk management, and promoting the Bank's reputation. Therefore, they have formed an effective and strong framework of corporate governance and of the Bank' s development in coordination of interests demanded from various stakeholders.

Moreover, maintaining a comprehensive communication system with Directors and regulators was consistently achieved by senior management. In terms of communication with Directors, besides reporting the Bank' s progress in Board meetings, senior management also updated Directors on certain important matters relating to the Bank' s business and operation from time to time, including monthly financial information. In terms of communication with regulators, senior management disclosed CCCL and Citigroup' s business and operating information to regulators in various ways and these communications included reporting the internal and external inspections, audits, and relevant corrective actions.

Through effective communication, Directors were kept abreast of the overall operations of the Bank and the latest regulatory trends, and regulators, internal control and anti-fraud could be timely informed of the Bank' s business and provide comments and guidance in response.

PROFESSIONAL BOARD COMMITTEES

As of December 31, 2016, there were four professional committees under the CCCL Board. These were:

- Audit Committee established on June 13, 2007
- Related Party Transaction Control Committee established on June 13, 2007
- Risk Management Committee established on September 12, 2007
- Remuneration Committee established on January 10, 2014

Each of the 4 committees effectively operates with a distinct division of responsibilities and has provided professional advice and suggestions in terms of audit, risk management and related party transaction control. They provided a solid foundation for the Board so that the Board can review and discuss matters correctly and efficiently.

In 2016, the 4 professional committees in total held 13 meetings, reviewed 29 motions and heard 70 reports, (in additional, 1 written resolution of the Related Party Transaction Committee and 1 written resolution of the Audit Committee).

Audit Committee

Chairman	Stephen LONG	Independent Director
Committee Voting-Member	Terence LAU	Independent Director
Committee Voting-Member	Weber LO	Chairman
Committee Non-Voting Member	Christine LAM	President
Committee Non-Voting Member	Simon NIE	Chief Auditor

The Audit Committee resolved 9 motions and heard 10 reporting items (including 1 written resolution of Audit Committee). In addition, to ensure timely and effective communication with external auditors, our external auditors were invited to participate in each Audit Committee meeting. KPMG exchanged its view on the Bank's operation with committee members and also shared regulatory focus and market trends, which helped better equip the Audit Committee in their decision on Internal Audit Committee motions. The resolutions made by the Audit Committee include: 2015 internal audit work summary, 2016 internal audit plan, extension of appointment of external auditor, update of internal audit Charter, and quarterly reports of internal audit.

Related Party Transaction Control Committee

Chairman	Terence LAU	Independent Director
Committee Voting-Member	Christine LAM	President
Committee Voting-Member	Paulus MOK	Non-Executive Director
Committee Voting-Member	Stephen LONG	Independent Director
Committee Non-Voting Member	Lili QIN	Chief Compliance
Committee Non-Voting Member	Mohsin RAHIM	CFO

The Related Party Transaction Control Committee had 4 quarterly meetings. The Committee resolved 9 resolutions and heard 4 reporting items (including 1 written resolution of Related Party Transaction Control Committee during the intersession of meetings). In 2016, the Committee considered and confirmed a list of all related parties of CCCL, reviewed new related party transactions and the intra-group payments under intra-Citi outsourcing agreements in 2016. When the matters subject to Committee' s discussion involves any conflict of interest, the relevant voting member would abstain from voting on such matters. The Committee' s work ensured our compliance with regulators' requirements.

Remuneration Committee

Chairman	Anand SELVAKESARI	Non-Executive Director
Committee Voting-Member	Christine LAM	President
Committee Voting-Member	Piyush AGRAWAL	Non-Executive Director

The Remuneration Committee has held one meeting. The Committee made 2 resolutions on 2015 Performance Linked Compensation and 2016 Salary Increase Budget.

Risk Management Committee

Chairman	Piyush AGRAWAL	Non-Executive Director
Committee Voting-Member	Christine LAM	President
Committee Voting-Member	Stephen LONG	Independent Director
Committee Voting-Member	Gerald Francis KEEFE	Non-Executive Director
Committee Voting-Member	Terence LAU	Independent Director
Committee Non-Voting Member	Marine MAO	Public Affairs Head
Committee Non-Voting Member	Lili QIN	Chief Compliance
Committee Non-Voting Member	Daisy YAO	CRO
Committee Non-Voting Member	Alex LEE	O&T Head
Committee Non-Voting Member	N. RAJASHEKARAN	Consumer Business Manager

The Risk Management Committee has held four meetings. The Committee made 9 resolutions and heard 56 reporting items. Risk portfolio seasonal report, classified portfolios, NPLs and loss provisions, and key risk limits against actual exposures were reviewed at each Committee meeting. In addition, in 2016, Risk Management also paid attention to credit card portfolio, derivative risk assessment and stress test, and continued to focus on the following key risk areas facing CCCL according to regulatory requirement and market changes: reputation risk, information technology risk, fraud case prevention and outsourcing risk, etc.

05 GIVING BACK TO THE COMMUNITY

> "Citizenship is core to Citi. Supported by Citi Foundation, our investment is by way of annual grant to reputable non-profit organizations that are evaluated holistically and systematically. Our mission of enabling social and economic progress is further brought to life through employees' volunteerism."

ENGAGE EMPLOYEES TO BRING POSITIVE SOCIAL IMPACT

The annual Citi Global Community Day calls on Citi colleagues to harness their enthusiasm and passion to give back to the community through volunteerism. 2016 marks the 11th year Citi China has held this volunteering program, and on May 28, over 4,000 Citi China employees as well as their friends and families actively participated in 30 volunteering activities across 17 cities. Activities range from driving environmental progress, improving lives of people in need to enhancing financial education.

Citi China also hosts ad-hoc local volunteering activities to continue championing the volunteering culture throughout the year. In 2016, various volunteering activities were organized in six cities. These activities provided additional opportunities for our colleagues to harness their professional skills to bring positive impact to the community.

DELIVER "MORE THAN PHILANTHROPY" WITH CITI FOUNDATION

Citi' s citizenship strategy in China has always been focused on addressing social needs relevant to national development, while being able to fully utilize our expertise and resources to generate greater and more sustainable impact for disadvantaged communities and individuals. In 2016, Financial Inclusion and Youth Economic Opportunities continue to be the two key focus areas. However, as urbanization continues to transform China's urban landscape and create new social, economic and environmental challenges, we have introduced for the first time programs surrounding Urban Transformation.

Supported by the Citi Foundation, Citi China delivered 12 community programs across 14 Chinese cities in 2016. The programs brought positive impact to over 200,000 individuals, families, microentrepreneurs as well as non-profit program organizers.

2016 HIGHLIGHT

Beijing

Volunteers from Beijing leveraged their professional expertise to help review and offer feedback on Be Better' s Youth Financial Quotient text book, which was published by the East China Normal University Press.

Nanjing

Volunteers from a number of Citi China branches including Nanjing welcomed local primary school students to visit local Citi branches and also offered them basic financial knowledge.

Tianjing

As part of the 2016 Citi Global Community Day, volunteers from Tianjin travelled to Xiao Xin Zhuang to plant and maintain trees to advocate for sustainable development.

Shanghai

Volunteers from Shanghai participated in the Shanghai Summer Camp hosted by the Aflateen China program. Leveraging their professional skills, volunteers accompanied youths from various backgrounds in an interactive learning to build their skills in areas of budgeting, saving and consumption.

Financial Inclusion

In recent years, Financial Inclusion has become a key focus for China as it becomes one of the goals set out by the State Council' s 2016-2020 Five Year Plan. Citi has always supported efforts to develop a more inclusive financial system that empowers adults and young people to build financial assets, enables entrepreneurs through the support of microcredit loans to grow or launch businesses that create jobs, and helps community-based organizations to strengthen and transform communities. Moreover, enhancing the ability to establish financial plans and develop strategies for preserving a strong and stable financial position are critical to the economic success of individuals and communities.

Case Study:Agent Penny Financial Education Program

Launched in 2007, the Agent Penny Children' s Financial Education Program (the Program) is implemented by the Shanghai Better Education Development Center (Be Better) under the support of the Citi Foundation. The Program' s guiding principle is to leverage interactive and fun ways to deliver financial knowledge to young children. These include comic books, children' s theatre and animations. To date, it has reached over 170,000 students, parents and teachers in over 420 primary schools across 14 cities including Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing and Tianjin.

Over the years, we have witnessed growing public awareness for financial education. Parents are starting to cultivate positive financial habits in children; teachers are realizing the need to incorporate financial education into classrooms; schools are leveraging the Agent Penny Program as an avenue to include financial education into the curriculum; Education Bureaus and Financial Regulatory Departments are even seeking ways to recognize and provide guidance for our program.

Wei Zhang
Head of the Agent Penny Program

Throughout 2016, 62 schools and 2 residential communities participated in the Program.

2016 Highlight

In Chongqing, following years of success, the Program was included as one of the key work focuses by the Chongqing Education Institute in 2016. In March, the Chongqing Education Institute' s Education Ethics Committee further established the Financial Education Academic Committee to drive forward the development of financial education in the region

In Tianjin, the Program also made a milestone development in 2016. Supported by the Tianjin Hebei District Education Bureau, Agent Penny' s financial education materials began to be distributed to all primary schools across the district. Furthermore, with the support of the Tianjin Hebei District Education Ethics Research Institute, the district has become a pilot site for introducing financial education to all primary schools within the area.

In Shanghai, guided by the Shanghai Banking Regulatory Bureau, the Program partnered with the Shanghai Primary and Secondary Schools' Education Ethics Research Institute and the Shanghai Yangpu District Education Bureau to once again innovate on how to bring financial education to students. Encouraging active learning, the Program inaugurated the Agent Penny Cup in 2016, a financial education themed competition that enables participating primary school students to research, discuss, analyze and finally showcase their results on a financial topic of their choice.

Youth Economic Opportunities

Helping young people develop an entrepreneurial mindset, leadership qualities as well as financial and workplace skills are essential in advancing youth economic opportunities today. This is particularly vital for those from migrant or disadvantaged families. In China, Citi has continually invested resources and efforts into driving forward programs that enable low-income youth aged between 16-25 to obtain vocational and soft skills that can eventually help them join the workforce or start an income-generating business

Case Study:Migrant Youth Vocational Skills Training and Employment Program

With the support of Citi Foundation, Citi China joined hands to launch the Migrant Youth Vocational Skills Training and Employment Program (the Program) in 2015. Targeting migrant youth, who have recently arrived in urban areas from China' s rural regions, the Program focuses on offering agricultural, home economics and child care trainings It helps them gain professional skills essential to joining key industries such as sustainable agriculture, elderly care as well as pre-school education. The Program also introduced a series of online training courses to maximize outreach.

Over the next 3-5 years, the Program will continue strengthening its internal training mechanism while seeking greater cooperations with the government, academia and businesses.

Hong Li is a 24 year old junior high school graduate from the Gansu Province. Before she joined Leping Foundation' s Home Economics Training Program, she always thought no specific skills are needed for people working within this particular field. After only one week of training, her perception drastically changed. She also spent time watching online training videos to further sharpen her skills. Today, she has become a respected industry professional with stable employment, allowing her to create a better economic future for herself.

2016 Highlight

By the end of 2016, over 90 online classes have been uploaded and watched over 350,000 times. The online classes have benefitted over 30,000 young people.

NOV 2016

On November 14, Leping Foundation's Youth Economic Opportunities and Development Forum brought together an international group of experts from government, academia, business, social organizations and media. The goal was to discuss solutions that can promote employment among youth, including low-income youth. The forum received strong support from Citi with Brandee McHale, President of Citi Foundation, attending as a keynote speaker.

Urban Transformation

As China' s urban population continues to expand, the rapid pace of urbanization has brought forward both opportunities and challenges. In 2016, Citi China started investing efforts in Urban Transformation - one of Citi Foundation' s three core global philanthropic focuses. This decision is part of an ongoing focus to fine-tune our priorities to meet China' s needs as its socio-economic landscape evolves over time. Urban Transformation, putting into China' s context, is addressing the pressing needs of the impact caused by the urbanization process, spcifically, the pressure such changes have put on the environment and to support the sustainable development of cities, which is a mainstay in driving forward economic and social progress.

Case Study: Distributed Clean Energy Project

In 2016, Citi China partnered with the World Resources Institute China to launch an integrated clean energy project. The Distributed Clean Energy Project (the Project) focuses on creating business models that address institutional and financing barriers for distributed clean energy supply. Through pilot projects, distributed clean energy contributes to the implementation of local environmental policies, poverty alleviation and support for SMEs. The Project aims to support China's goal to peak carbon emissions by 2030.

2016 Highlight

The research team received strong support from the National Development and Reform Commission's Energy Research Institute, National Center for Climate Change Strategy and International Cooperation as well as the China Renewable Energy Industry Association.

Xinjiang has been set as the pilot location for the first solar photovoltaic project to alleviate poverty and construction for the infrastructure has already begun.

06 | 2016 AWARDS & RECOGNITIONS

2016 Best Bank-Global in China
the Asset

2016 Best Structured Product in China
Securities Times

2016 Best Corporate and Institutional Bank-Global in China
the Asset

2016 Best Foreign Bank Employer in China
Universum

2016 Outstanding Foreign Bank
jrj.com

2016 Financial Knowledge Promotion Best Branch-Chengdu Branch Consumer Banking
Sichuan Banking Association

2016 Golden Shell Award Best Foreign Bank of Brand Building
21st Century Business Herald

2016 Best Corporate Social Responsibility Case Award
China Banking Association

2016 Best Corporate Bond
the Asset

2016 Annual Institution Contribution Award
Shanghai Banking Association

2016 Best FIG Green Bond
the Asset

2016 Best CSR Innovation Case
Shanghai Daily

2016 Best Panda Bond
the Asset

2016 Best Innovation Award
The China Charity Festival

2016 Best Equity Linked Deal
the Asset

CITIBANK (CHINA) COMPANY LIMITED

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS FOR THE YEAR 1 JANUARY 2016 TO 31 DECEMBER 2016

IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

KMPG Huazhen LLP, a People' s Republic of China partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG international Cooperative ("KPMG International"), a Swiss entity.

We are authorized to practice under the name of KPMG Huazhen LLP.

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AUDITORS' REPORT

毕马威华振沪审字第 1701120 号

The Board of Directors of Citibank (China) Company Limited:

We have audited the accompanying financial statements of Citibank (China) Company Limited (the "Bank") on pages 1 to 73, which comprise the balance sheet as at 31 December 2016, the income statement, the cash flow statement, the statement of changes in owner' s equity for the year then ended, and notes to the financial statements.

1. Management's Responsibility for the Financial Statements

The Bank' s management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People' s Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity' s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and the financial performance and the cash flows of the Bank for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen LLP

Shanghai Branch

Shanghai China

Certified Public Accountants Registered in the People's Republic of China

Shi Haiyun

Xue Chenjun

Citibank (China) Company Limited
Balance sheet as at 31 December 2016
(Expressed in Renminbi Yuan)

	Note	2016	2015
Assets			
Cash on hand and deposits with central bank	5	43,255,049,483	32,236,245,751
Deposits with inter-banks and non-bank financial institutions	6	12,877,642,570	18,872,846,668
Placements with inter-banks and non-bank financial institutions	7	14,315,519,602	16,500,427,571
Financial assets at fair value through profit or loss	8	7,154,289,234	6,129,108,305
Derivative financial assets	9	5,533,598,654	2,824,762,203
Interest receivable	10	471,937,168	452,165,414
Loans and advances to customers	11	56,695,443,383	63,905,823,042
Available-for-sale financial assets	12	31,032,873,990	21,053,400,460
Fixed assets	13	26,704,869	37,965,957
Intangible assets	14	34,546,333	38,688,781
Deferred tax assets	15	317,618,514	212,219,156
Other assets	16	1,334,995,020	1,062,930,128
Total assets		173,050,218,820	163,326,583,436

The notes on pages 8 to 73 form part of these financial statements.

Citibank (China) Company Limited
Balance sheet as at 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Note	2016	2015
Liabilities and owner's equity			
Liabilities			
Deposits from inter-banks and non-bank financial institutions	17	10,376,560,722	15,102,693,719
Borrowings from inter-banks	18	285,048,849	1,577,571,337
Derivative financial liabilities	9	4,904,623,147	2,510,257,292
Deposits from customers	19	138,190,289,356	124,812,369,754
Employee benefits payable	20	224,020,701	246,469,761
Taxes payable	4(3)	282,376,452	255,542,154
Interest payable	21	177,640,852	180,950,407
Other liabilities	22	3,421,749,271	4,443,736,730
Total liabilities		157,862,309,350	149,129,591,154
Owner's equity			
Paid-in capital	23	3,970,000,000	3,970,000,000
Capital reserve	24	26,668,712	25,911,657
Other comprehensive income	25	(46,181,257)	36,119,265
Surplus reserve	26	1,075,395,193	968,149,128
General reserve	27	1,762,205,017	1,762,205,017
Retained earnings		8,399,821,805	7,434,607,215
Total owner's equity		15,187,909,470	14,196,992,282
TotalDeposits from liabilities and owner's equity		173,050,218,820	163,326,583,436

These financial statements were approved by the Board of Directors of Citibank (China) Company Limited.

Christine Lam
Chief Executive Officer

Mohsin Rahim
Chief Financial Officer

Company stamp

Date:

The notes on pages 8 to 73 form part of these financial statements.

Citibank (China) Company Limited
Income statement for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	2016	2015
Operating income		5,077,169,344	5,672,621,881
Net interest income	29	2,091,296,966	2,477,432,261
Interest income		3,675,820,766	3,937,889,364
Interest expenses		(1,584,523,800)	(1,460,457,103)
Net fee and commission income	30	823,339,925	1,022,325,132
Fee and commission income		911,840,740	1,119,255,745
Fee and commission expenses		(88,500,815)	(96,930,613)
Investment income	31	974,410,861	1,367,643,146
Gains from changes in fair value	32	310,168,142	291,222,295
Foreign exchange gains		630,516,731	470,096,120
Other operating income		247,436,719	43,902,927
Operating expenses		(3,838,250,365)	(4,391,621,576)
Taxes and surcharges	4(1)	(126,171,973)	(330,205,682)
General and administrative expenses	33	(3,089,924,070)	(3,183,932,587)
Impairment losses	34	(504,094,404)	(877,483,307)
Other operating expenses		(118,059,918)	-
Operating profit		1,238,918,979	1,281,000,305
Add: Non-operating income		2,918,410	2,663,219
Less: Non-operating expenses		(4,150,505)	(5,371,635)
Profit before income tax		1,237,686,884	1,278,291,889
Less: Income tax expense	4(2), 35	(165,226,229)	(215,362,754)
Net profit for the year		1,072,460,655	1,062,929,135
Other comprehensive income, net of tax:	36		
Item that may be reclassified to profit or loss			
- Gains or losses arising from changes in fair value of available-for-sale financial assets		(82,300,522)	(10,593,466)
Total comprehensive income for the year		990,160,133	1,052,335,669

The notes on pages 8 to 73 form part of these financial statements.

Citibank (China) Company Limited
Cash flow statement for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	2016	2015
Cash flows from operating activities			
Net decrease in deposits with inter-banks with limited usage		5,819,822,752	-
Net decrease in loans and advances to customers		6,719,067,064	1,555,890,837
Net increase in borrowings from inter-banks and non-bank financial institutions		2,933,690,395	-
Net increase in deposits from customers, inter-banks and non-bank financial institutions		7,585,810,138	13,873,282,302
Proceeds from disposal of financial assets at fair value through profit and loss		2,191,765,097	-
Investment returns received from financial assets at fair value through profit or loss		299,315,605	657,777,090
Interest, fee and commission receipts		4,825,723,073	5,014,984,652
Refund of taxes		10,704,454	7,672,709
Proceeds from other operating activities		540,700,190	469,467,638
Sub-total of cash inflows from operating activities		30,926,598,768	21,579,075,228
Net increase in deposits with central bank and inter-banks		(11,275,835,964)	(2,864,492,643)
Net increase in deposits with inter-banks with limited usage		-	(1,713,751,745)
Payment for acquisition of financial assets at fair value through profit or loss		-	(1,592,885,716)
Net decrease in borrowings from inter-banks and non-bank financial institutions		-	(9,581,594,645)
Interest, fee and commission payments		(1,692,267,132)	(1,756,570,941)
Payment to and for employees		(1,643,505,804)	(1,634,036,378)
Payment of various taxes		(577,757,393)	(528,464,299)
Payment for other operating activities		(2,510,231,671)	(1,420,045,249)
Sub-total of cash outflows from operating activities		(17,699,597,964)	(21,091,841,616)
Net cash inflow from operating activities	37(1)	13,227,000,804	487,233,612

The notes on pages 8 to 73 form part of these financial statements.

Citibank (China) Company Limited
Cash flow statement for the year ended 31 December 2016 (continued)
(Expressed in Renminbi Yuan)

	Note	2016	2015
Cash flows from investing activities			
Proceeds from disposals of available-for-sale financial assets		39,175,330,936	17,079,706,723
Investment returns received from available-for-sale financial assets		480,968,744	516,228,450
Sub-total of cash inflows from investing activities		39,656,299,680	17,595,935,173
Payment for acquisition of available-for-sale financial assets		(30,597,688,794)	(20,885,317,731)
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(56,069,056)	(64,928,971)
Sub-total of cash outflows from investing activities		(30,653,757,850)	(20,950,246,702)
Net cash inflow / (outflow) from investing activities		9,002,541,830	(3,354,311,529)
Effect of foreign exchange rate changes on cash and cash equivalents		1,054,932,661	521,766,560
Net increase / (decrease) in cash and cash equivalents	37(2)	23,284,475,295	(2,345,311,357)
Add: Cash and cash equivalents at the beginning of the year		31,954,113,642	34,299,424,999
Cash and cash equivalents at the end of the year	37(3)	55,238,588,937	31,954,113,642

The notes on pages 8 to 73 form part of these financial statements.

Citibank (China) Company Limited
Statement of changes in owner's equity for the year ended 31 December 2016
(Expressed in Renminbi Yuan)

	Note	Paid-in capital	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2016		3,970,000,000	25,911,657	36,119,265	968,149,128	1,762,205,017	7,434,607,215	14,196,992,282
Changes in equity for the year								
1. Total comprehensive income		-	-	(82,300,522)	-	-	1,072,460,655	990,160,133
2. Owner's contributions								
- Equity-settled share-based payment	24	-	757,055	-	-	-	-	757,055
3. Appropriation of profits								
- Appropriation for surplus reserve	26,28	-	-	-	107,246,065	-	(107,246,065)	-
Subtotal of 1 to 3		-	757,055	(82,300,522)	107,246,065	-	965,214,590	990,917,188
Balance at 31 December 2016		3,970,000,000	26,668,712	(46,181,257)	1,075,395,193	1,762,205,017	8,399,821,805	15,187,909,470

The notes on pages 8 to 73 form part of these financial statements.

	Note	Paid-in capital	Capital reserve	Other compre-hensive income	Surplus reserve	General reserve	Retained earnings	Total
Balance at 1 January 2015		3,970,000,000	24,842,427	46,712,731	861,856,214	1,582,402,522	6,657,773,489	13,143,587,383
Changes in equity for the year								
1. Total comprehensive income		-	-	(10,593,466)	-	-	1,062,929,135	1,052,335,669
2. Owner's contributions								
- Equity-settled share-based payment	24	-	1,069,230	-	-	-	-	1,069,230
3. Appropriation of profits								
- Appropriation for surplus reserve	26, 28	-	-	-	106,292,914	-	(106,292,914)	-
- Appropriation for general reserve	27, 28	-	-	-	-	179,802,495	(179,802,495)	-
Subtotal of 1 to 3		-	1,069,230	(10,593,466)	106,292,914	179,802,495	776,833,726	1,053,404,899
Balance at 31 December 2015		3,970,000,000	25,911,657	36,119,265	968,149,128	1,762,205,017	7,434,607,215	14,196,992,282

The notes on pages 8 to 73 form part of these financial statements.

1 General information

Citibank (China) Company Limited ("Citibank China" or the "Bank") is a wholly foreign-owned bank incorporated in Shanghai, the People's Republic of China ("PRC"), established by Citibank, N.A. ("Citibank"). The Bank's ultimate controlling party is Citigroup Inc..

With the approval of the China Banking Regulatory Commission ("CBRC") issued on 22 December 2006, Citibank transformed its Shanghai Branch, Shenzhen Branch, Guangzhou Branch, Beijing Branch, Tianjin Branch and Chengdu Branch which were set up in China during 1988 to 2005 into Citibank China, a wholly foreign-owned bank invested solely by Citibank.

The Bank obtained a financial license on 20 March 2007 and a business license (qi du hu zong zi No. 043865) [Municipal Bureau] issued by the Shanghai Administration for Industry and Commerce on 29 March 2007, and subsequently obtained a revised license (No. 310000400507900) [Municipal Bureau] from the Shanghai Administration for Industry and Commerce after commencement of operation. Pursuant to the requirements of the Notice on Relevant Issues Regarding the Adoption of the New Version of Business License issued by the State Administration for Industry and Commerce on 17 February 2014, the Bank obtained a new version of business license (No.913100007989811341) on 28 October 2016. The Bank's registered capital is Renminbi 3,970,000,000. In accordance with the Bank's business license, the Bank has an undefined operating period from 29 March 2007. The Bank commenced operation on 2 April 2007 and its scope of operation includes partial or full scope foreign currency business and Renminbi business, approved by relevant regulators.

As at 31 December 2016, the Bank had 13 branches and 31 sub-branches in Shanghai, Shenzhen, Guangzhou, Beijing, Tianjin, Chengdu, Hangzhou, Dalian, Chongqing, Guiyang, Nanjing, Changsha, and Wuxi. The Bank's head office is in Shanghai.

2 Basis of preparation

These financial statements have been translated into English from the Bank's statutory financial statements issued in the PRC in Chinese.

The financial statements have been prepared on the going concern basis.

(1) Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises ("CAS") issued by the Ministry of Finance. These financial statements present truly and completely the financial position of the Bank as at 31 December 2016, the financial performance and the cash flows of the Bank for the year then ended.

(2) Accounting year

The Bank's accounting year is from 1 January to 31 December.

(3) Functional currency and presentation currency

The Bank's functional currency is Renminbi. These financial statements are presented in Renminbi. Functional currency is determined by the Bank on the basis of the currency in which major income and costs are denominated and settled.

3 Significant accounting policies and accounting estimates

(1) Translation of foreign currencies

When the Bank receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date and the resulting exchange differences are recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

(2) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central banks, deposits with inter-banks and non-bank financial institutions, placements with inter-banks and non-bank financial institutions, and short-term, highly liquid investments, that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(3) Fixed assets

Fixed assets represent the tangible assets held by the Bank for administrative purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 3(7)(b)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Bank, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale. The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Asset type	Estimated useful life	Residual value rate	Depreciation rate
Office and other equipment	3 - 5 years	0%	20% - 33.33%
Motor vehicles	5 years	0%	20%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

(4) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term. Contingent rental payments are expensed as incurred.

(5) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 3(7)(b)).

For an intangible asset with a finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale. At the balance sheet date, the Bank's intangible assets consist of software, which is amortised over three to ten years.

(6) Financial instruments

Financial instruments of the Bank include cash on hand and deposits with central bank, deposits with inter-banks and non-bank financial institutions, placements with inter-banks and non-bank financial institutions, financial assets at fair value through profit or loss, derivative financial assets, interest receivable, loans and advances to customers, available-for-sale financial assets, deposits from inter-banks and non-bank financial institutions, borrowings from inter-banks, derivative financial liabilities, deposits from customers, interest payable and paid-in capital.

(a) Recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Bank becomes a party to the contractual provisions of a financial instrument.

The Bank classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Subsequent to initial recognition, financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

- Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

(a) Recognition and measurement of financial assets and financial liabilities (continued)

- Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost. Other available-for-sale financial assets are measured at fair value and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method.

- Financial liabilities other than those at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. However, a financial guarantee issued by the Bank is subsequently measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles for contingent liabilities (see Note 3(11)).

(b) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities are generally presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Bank currently has a legally enforceable right to set off the recognised amounts; and

- the Bank intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Bank's contractual rights to the cash flows from the financial asset expire or if the Bank transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred

- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity

The Bank derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged or cancelled or expires.

(d) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in owner's equity.

Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from owner's equity.

(7) Impairment of assets

Except for impairment of assets set out in Note 3(10), impairment of assets is accounted for using the following principles:

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

- Loans and receivables and held-to-maturity investments

Loans and receivables and held-to-maturity investments are assessed for impairment on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a loan and receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where loans and receivables or held-to-maturity investments share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on loans and receivables or held-to-maturity investments, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

- Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis as follows.

When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognised directly in equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

(b) Impairment of other assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets

- intangible assets

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Bank estimates the recoverable amounts of intangible assets not ready for use at least at each year-end irrespective of whether there is any indication of impairment.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

3 Significant accounting policies and accounting estimates(continued)

(b) Impairment of other assets (continued)

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note 3(8)) less costs to sell and its present value of expected future cash flows.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

(8) Fair value measurement

Unless otherwise specified, the Bank measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Bank takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(9) Employee benefits

(a) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits – defined contribution plans

The defined contribution plans participated in by the Bank include basic pension insurance in the social insurance system and annuity plan.

Pursuant to the relevant laws and regulations of the PRC, the Bank participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Bank makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

Besides, the Bank provides an annuity plan to the eligible employees. The Bank makes annuity contributions in proportion to its employees' gross salaries on an accrual basis.

(c) Share-based payments

Share-based payment transactions in the Bank are equity-settled share-based payments.

Where the Bank uses shares or other equity instruments as consideration for services received from employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted to employees vest immediately, the fair value of the equity instruments granted is fully recognised as costs or expenses on the grant date, with a corresponding increase in capital reserve. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Bank recognises an amount during the vesting period, based on the best estimate of the number of equity instruments expected to vest. The Bank measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

When the Bank receives services, but has no obligation to settle the transaction because the relevant equity instruments are issued by the Bank's ultimate parent or its subsidiaries outside the Bank, the Bank also classifies the transaction as equity-settled.

(d) Termination benefits

When the Bank terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Bank cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal.

- When the Bank has a formal detailed employee termination plan or curtailment proposal involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or proposal or announcing its main features to those affected by it.

(e) Other long-term employee benefits

Other long-term employee benefits represent the Bank's payment obligation in exchange for services rendered by employees, which is computed based on certain standards. The obligation is settled after twelve months after the end of the annual reporting period.

(10) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Bank has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible tax losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

3 Significant accounting policies and accounting estimates(continued)

(10) Income tax(continued)

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss).

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates enacted at the reporting date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and assets, and

- they relate to income taxes levied by the same tax authority on either:

- the same taxable entity; or

- different taxable entities which intend either to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(11) Provisions

A provision is recognised for an obligation related to a contingency if the Bank has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

(12) Fiduciary activities

The Bank acts in a fiduciary capacity as a custodian, trustee or an agent for its customers. Assets held by the Bank and the related undertakings to return such assets to customers are excluded from the financial statements as the risks and rewards of the assets reside with the customers.

Entrusted lending is the business where the Bank enters into entrusted loan agreements with customers, whereby the customers provide funding (entrusted funds) to the Bank, and the Bank grants loans to third parties (entrusted loans) at the instruction of the customers. As the Bank does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

Wealth management business refers to agreements between the Bank and its customers to raise funds from them for investment in the assets of the Bank or third parties. In this business, the Bank performs its management duties and collects corresponding fees in accordance with the relevant agreements. As the Bank does not assume the risks and rewards of the funds and investments of the wealth management business, the corresponding funds and investments are recorded as off-balance sheet items.

(13) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Bank's ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from owners. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Bank, the revenue and costs can be measured reliably and the following conditions are met:

(a) Interest income

Interest income arising from the use by others of entity assets is recognised in the income statement based on the duration and the effective interest rate. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Bank estimates cash flows considering all the contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets ("unwinding of discount") is calculated and recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(b) Fee and commission income

Fee and commission income is recognised in the income statement when the corresponding service is provided.

Origination or commitment fees received by the Bank which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without the Bank making a loan, the fee is recognised as revenue on expiry.

(14) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Bank except for capital contributions from the government in the capacity as a shareholder of the Bank. Special transfers from the government, such as investment grants that have been clearly defined in official documents as part of "capital reserve" are also dealt with as capital contributions rather than government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Bank will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Bank for expenses to be incurred in the future is recognised initially as deferred income, and released to profit or loss in the periods in which the expenses are recognised. A grant that compensates the Bank for expenses already incurred is recognised in profit or loss immediately.

3 Significant accounting policies and accounting estimates(continued)

(15) Profit distributions to owners

Distributions of profit proposed in the profit appropriation plan to be authorised by the Board of Directors and declared after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(16) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related-party relationships are not regarded as related parties.

(17) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Bank's internal organisation, management requirements and internal reporting system after taking materiality principle into account.

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of the actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the Bank's financial statements.

(18) Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Except for accounting estimates relating to depreciation and amortisation of assets such as fixed assets and intangible assets (see Note 3(3) and Note 3(5)), and provision for impairment of various types of assets (see Notes 6, 7, 11 and 16). Other significant accounting estimates include:

(i) Note 45: Fair value measurements of financial instruments

4 Taxation

(1) The major types of taxes applicable to the Bank includes business tax, Value-added tax (VAT), surcharges and so on.

Tax type	Tax basis	Tax rate
Business tax	Based on taxable revenue before 1 May 2016. According to Caishui [2016] No. 36, jointly issued by MOF and the State Administration of Taxation, all taxpayers subject to business tax in China are included in the scope of the VAT pilot scheme. Effective from 1 May 2016, those taxpayers are required to pay VAT in lieu of business tax.	5%
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period	6%
City maintenance and construction tax	Based on business tax and VAT paid	7%
Education surtax	Based on business tax and VAT paid	3%
Local educational surtax	Based on business tax and VAT paid	2%
Riverway management charges	Based on business tax and VAT paid	1%

(2) Income tax

The statutory income tax rate applicable to the Bank is 25%. The applicable income tax rate for the year is the statutory rate (2015: 25%).

(3) Taxes payable

	2016	2015
Income tax payable	200,141,609	132,958,123
VAT and surcharges payable	41,869,687	-
Withholding taxes payable	40,365,156	44,088,780
Business tax and surcharges payable	-	78,495,251
Total	282,376,452	255,542,154

5 Cash on hand and deposits with central bank

	Note	2016	2015
Cash on hand		172,450,996	217,546,299
Statutory deposit reserves with central bank	(1)	16,624,998,789	14,863,695,863
Surplus deposit reserve with central bank	(2)	13,480,077,126	13,692,014,055
Foreign exchange risk reserve with central bank	(3)	12,977,522,572	3,462,989,534
Total		43,255,049,483	32,236,245,751

(1) The Bank places statutory deposit reserves with the People's Bank of China ("PBOC") in accordance with the Regulation of the PRC on the Administration of Foreign-funded Banks and relevant regulations. The statutory deposit reserves are not available for use in the Bank's daily business. As at the balance sheet date, the statutory deposit reserve rates applicable to the Bank were as follows:

	2016	2015
Renminbi deposits	15.0%	15.5%
Foreign currency deposits	5%	5%

(2) The surplus deposit reserves are maintained with the PBOC mainly for settlement purposes.

(3) The Bank places its foreign exchange risk reserve as required by the PBOC on a monthly basis at 20% of the contractual amount of forward foreign exchange sales in the previous month. Each reserve has a one-year term of maturity.

6 Deposits with inter-banks and non-bank financial institutions

(1) Analysed by counterparty

	Note	2016	2015
Deposits with other banks			
- in Mainland China		6,524,069,652	9,166,210,911
- outside Mainland China	6(1)(a)	6,262,769,769	9,644,116,545
Subtotal		12,786,839,421	18,810,327,456
Deposits with non-bank financial institutions			
- in Mainland China		119,851,313	110,739,421
Subtotal		12,906,690,734	18,921,066,877
Less: Allowance for impairment losses	6(2)	(29,048,164)	(48,220,209)
Total		12,877,642,570	18,872,846,668

(a) As at 31 December 2016, the Bank's deposits with other banks outside Mainland China included the part of the investment funds regarding custodian services absorbed from Qualified Domestic Institutional Investors business ("QDII"), which was temporarily placed in investment settlement accounts of other custodian bank outside Mainland China, amounting to Renminbi 1,265,895,879 equivalent. The Bank operates these deposits with inter-banks upon receiving instructions from QDII customers. These deposits with inter-banks were with limited usage (2015: Renminbi 7,085,718,631 equivalent).

(2) Movements of allowance for impairment losses

	Note	2016	2015
As at 1 January		48,220,209	62,255,170
Reversal for the year	34	(19,172,045)	(14,034,961)
As at 31 December		29,048,164	48,220,209

7 Placements with inter-banks and non-bank financial institutions

(1) Analysed by counterparty

	Note	2016	2015
Placements with inter-banks			
- in Mainland China		2,843,844,812	6,594,443,030
- outside Mainland China		3,539,280,359	1,890,141,136
Subtotal		6,383,125,171	8,484,584,166
Placements with non-bank financial institutions			
- in Mainland China		7,973,500,000	8,039,160,000
Subtotal		14,356,625,171	16,523,744,166
Less: Allowance for impairment losses	7(2)	(41,105,569)	(23,316,595)
Total		14,315,519,602	16,500,427,571

(2) Movements of allowance for impairment losses

	Note	2016	2015
As at 1 January		23,316,595	41,468,074
Charge / (reversal) for the year	34	17,788,974	(18,151,479)
As at 31 December		41,105,569	23,316,595

8 Financial assets at fair value through profit or loss

	2016	2015
Bond investments held for trading	7,154,289,234	6,129,108,305

The bonds investments held for trading are issued by the following institutions and stated at fair value:

	2016	2015
The Ministry of Finance of the PRC ("MOF")	3,604,079,504	1,254,667,560
Policy banks	3,490,199,890	512,004,340
Inter-banks and non-bank financial institutions	60,009,840	71,963,920
The PBOC	-	4,290,472,485
Total	7,154,289,234	6,129,108,305

9 Derivativesfinancial instruments

2016

	Total notional amount	Assets	Fair Value Liabilities
Interest rate derivatives:			
Interest rate swaps	136,153,589,757	432,865,323	391,516,530
Interest rate options	1,711,704,750	146,459	661,580
	137,865,294,507	433,011,782	392,178,110
Currency derivatives:			
Forwards	311,614,659,356	4,959,222,919	4,323,592,655
Currency options	23,307,515,520	119,132,516	166,620,945
	334,922,174,876	5,078,355,435	4,490,213,600
Other derivatives:			
Commodity swaps	232,165,270	20,660,732	20,660,732
Equity swaps	53,583,999	1,570,705	1,570,705
	285,749,269	22,231,437	22,231,437
Total	473,073,218,652	5,533,598,654	4,904,623,147

2015

	Total notional amount	Assets	Fair Value Liabilities
Interest rate derivatives:			
Interest rate swaps	180,380,884,153	463,518,388	424,984,581
Interest rate options	2,387,405,137	680,339	2,878,575
	182,768,289,290	464,198,727	427,863,156
Currency derivatives:			
Forwards	251,117,593,921	2,236,765,108	1,965,087,940
Currency options	16,726,054,316	72,833,690	66,341,518
	267,843,648,237	2,309,598,798	2,031,429,458
Other derivatives:			
Commodity swaps	2,068,262,389	38,796,603	38,796,603
Equity swaps	777,423,430	12,168,075	12,168,075
	2,845,685,819	50,964,678	50,964,678
Total	453,457,623,346	2,824,762,203	2,510,257,292

10 Interestreceivable

	2016年	2015年
As at 1 January	452,165,414	617,321,657
Addition during the year	4,269,102,117	4,016,712,343
Decrease during the year	(4,249,330,363)	(4,181,868,586)
As at 31 December	471,937,168	452,165,414

11 Loansand advances to customers

(1) Analysed by nature

	Note	2016	2015
Corporate loans and advances			
- loans		31,715,765,426	34,729,340,764
- discounted bills		5,627,164,266	7,663,639,023
Personal loans and advances			
- residential mortgages		15,532,568,418	16,534,047,646
- personal consumer loans		963,747,919	1,674,137,053
- credit cards		4,499,503,821	4,535,704,078
Gross loans and advances		58,338,749,850	65,136,868,564
Less: Allowance for impairment losses	11(6)	(1,643,306,467)	(1,231,045,522)
Net loans and advances to customers		56,695,443,383	63,905,823,042

11 Loansand advances to customers(continued)

(2) Analysed by industry sector

	Note	2016 Amount	2016 %	2015 Amount	2015 %
Manufacturing		17,023,435,238	29%	18,802,491,710	29%
Wholesale and retail trade		5,233,107,041	9%	4,789,473,609	7%
Leasing and commercial services		3,103,281,874	5%	4,056,670,649	6%
Mining		1,466,788,140	3%	1,770,846,151	3%
Transportation, storage and postal services		1,446,775,134	3%	745,242,095	1%
Telecommunications, IT services and software		1,246,880,720	2%	1,203,294,495	2%
Financial services		988,407,412	2%	1,775,428,898	3%
Hotel and restaurant		627,629,462	1%	925,634,887	1%
Fisheries and agriculture		253,575,126	*0%	90,098,708	*0%
Culture, sports and entertainment		130,980,707	*0%	393,440,875	1%
Real estate		47,642,122	*0%	53,154,314	*0%
Production and supply of electricity, gas and water		33,926,000	*0%	3,133,613	*0%
Resident services and other services		19,306,302	*0%	88,555,741	*0%
Others		94,030,148	*0%	31,875,019	*0%
Subtotal		31,715,765,426	54%	34,729,340,764	53%
Discounted bills		5,627,164,266	10%	7,663,639,023	12%
Personal loans and advances		20,995,820,158	36%	22,743,888,777	35%
Gross loans and advances		58,338,749,850	100%	65,136,868,564	100%
Less: Allowance for impairment losses	11(6)	(1,643,306,467)		(1,231,045,522)	
Net loans and advances to customers		56,695,443,383		63,905,823,042	

* The percentages of these items are all less than 1%.

(3) Analysed by geographical sector

	Note	2016 Amount	2016 %	2015 Amount	2015 %
Yangtze River Delta		32,494,225,375	56%	35,702,076,501	55%
Pearl River Delta		13,992,696,087	24%	11,365,711,690	17%
Bohai Rim		9,957,463,679	17%	15,755,683,716	24%
Middle and western region		1,124,766,967	2%	1,712,443,036	3%
Northeastern region		769,597,742	1%	600,953,621	1%
Gross loans and advances		58,338,749,850	100%	65,136,868,564	100%
Less: Allowance for impairment losses	11(6)	(1,643,306,467)		(1,231,045,522)	
Net loans and advances to customers		56,695,443,383		63,905,823,042	

(4) Analysed by security type

	Note	2016	2015
Unsecured loans		25,320,348,155	32,261,059,437
Guaranteed loans		14,381,389,903	12,750,614,103
Secured loans		18,637,011,792	20,125,195,024
- by tangible assets other than monetary assets		16,576,651,104	17,748,724,047
- by monetary assets		2,060,360,688	2,376,470,977
Gross loans and advances		58,338,749,850	65,136,868,564
Less: Allowance for impairment losses	11(6)	(1,643,306,467)	(1,231,045,522)
Net loans and advances to customers		56,695,443,383	63,905,823,042

11 Loansand advances to customers(continued)

(5) Overdue loans analysed by overdue period

2016

	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and three years (inclusive)	Over three years	Total
Unsecured loans	84,357,637	94,836,244	10,285,950	604,394	190,084,225
Guaranteed loans	190,304	35,024,837	62,488,060	-	97,703,201
Secured loans	42,710,526	14,594,612	236,426,308	8,033,673	301,765,119
- by tangible assets other than monetary assets	42,710,526	14,594,612	236,426,308	8,033,673	301,765,119
Total	127,258,467	144,455,693	309,200,318	8,638,067	589,552,545

2015

	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and three years (inclusive)	Over three years	Total
Unsecured loans	84,409,528	98,488,593	2,066,587	139,451	185,104,159
Guaranteed loans	3,527,853	62,056,528	32,135,972	-	97,720,353
Secured loans	55,186,666	182,396,411	83,828,622	11,409,947	332,821,646
- by tangible assets other than monetary assets	55,186,666	182,396,411	83,828,622	11,409,947	332,821,646
Total	143,124,047	342,941,532	118,031,181	11,549,398	615,646,158

Overdue loans represent loans and advances to customers, of which the whole or part of the principal or interest was overdue.

(6) Movements of allowance for impairment losses

2016

	Note	Collective assessment	Individual assessment	Total
As at 1 January		755,460,772	475,584,750	1,231,045,522
Charge for the year	34	405,948,417	94,489,699	500,438,116
Written off for the year		-	(123,250,388)	(123,250,388)
Recoveries of loans and advances previously written off		-	18,356,467	18,356,467
Exchange differences		16,716,750	-	16,716,750
As at 31 December		1,178,125,939	465,180,528	1,643,306,467

2015

	Note	Collective assessment	Individual assessment	Total
As at 1 January		243,761,903	411,710,202	655,472,105
Charge for the year	34	501,354,285	418,373,378	919,727,663
Written off for the year		-	(356,306,595)	(356,306,595)
Recoveries of loans and advances previously written off		-	1,807,765	1,807,765
Exchange differences		10,344,584	-	10,344,584
As at 31 December		755,460,772	475,584,750	1,231,045,522

As at 31 December 2016, the Bank's loan provision ratio was 2.82% (2015: 1.89%), the provision coverage ratio was 348.98% (2015: 256.78%).

Loan provision ratio represents ratio of loan loss provision over gross loans and advances to customers at the balance sheet date. Provision coverage ratio represents ratio of loan loss provision over non-performing loans. According to the five-tier risk classification in the Notice of the CBRC on Distributing the Guidelines on Loan Risk Classification (Yin Jian Fa [2007] No. 54), non-performing loans represent loans and advances classified as substandard, doubtful and loss.

12 Available-for-salefinancial assets

	2016	2015
Bond investments	31,032,873,990	21,053,400,460

The available-for-sale bond investments are issued by the following institutions and stated at fair value:

	2016	2015
The MOF	31,032,873,990	19,946,532,960
The PBOC	-	1,106,867,500
Total	31,032,873,990	21,053,400,460

As at 31 December 2016, management considered that no allowance for impairment losses on available-for-sale financial assets was necessary (2015: nil).

13 FixedAssets

	Office & other equipment	Motor vehicles	Total
Cost			
As at 1 January 2015	344,828,826	4,110,217	348,939,043
Additions during the year	13,064,444	-	13,064,444
Disposals during the year	(13,594,673)	(250,940)	(13,845,613)
As at 31 December 2015	344,298,597	3,859,277	348,157,874
Additions during the year	7,400,487	-	7,400,487
Disposals during the year	(36,637,434)	(255,333)	(36,892,767)
As at 31 December 2016	315,061,650	3,603,944	318,665,594
Less: Accumulated depreciation			
As at 1 January 2015	(296,162,470)	(3,162,191)	(299,324,661)
Charge for the year	(23,980,362)	(270,865)	(24,251,227)
Written off on disposal	13,133,031	250,940	13,383,971
As at 31 December 2015	(307,009,801)	(3,182,116)	(310,191,917)
Charge for the year	(16,159,553)	(270,865)	(16,430,418)
Written off on disposal	34,406,277	255,333	34,661,610
As at 31 December 2016	(288,763,077)	(3,197,648)	(291,960,725)
Carrying amount			
As at 31 December 2016	26,298,573	406,296	26,704,869
As at 31 December 2015	37,288,796	677,161	37,965,957

As at 31 December 2016, management considered that no allowance for impairment losses on fixed assets was necessary (2015: nil).

14 Intangible assets

	Software
Cost	
Balance at 1 January 2015	177,992,578
Additions during the year	218,898
Disposal during the year	(2,616,479)
As at 31 December 2015	175,594,997
Additions during the year	12,541,263
Disposal during the year	(59,890)
Balance at 31 December 2016	188,076,370
Less: Accumulated amortisation	
Balance at 1 January 2015	(121,860,765)
Charge for the year	(15,110,521)
Written off on the disposal	65,070
Balance at 31 December 2015	(136,906,216)
Charge for the year	(16,629,809)
Written off on the disposal	5,988
Balance at 31 December 2016	(153,530,037)
Carrying amounts	
At 31 December 2016	34,546,333
At 31 December 2015	38,688,781

As at 31 December 2016, management considered that no allowance for impairment losses on intangible assets was necessary (2015: nil).

15 Deferred tax assets

	Deferred tax assets / (liabilities)			
	Balance at 1 January 2016	Current year increase / decrease charged to profit or loss	Current year increase / decrease recognised in equity	Balance at 31 December 2016
Allowance for impairment losses against assets	187,042,687	121,538,310	-	308,580,997
Adjustments for accrued expenses	122,201,944	30,282,531	-	152,484,475
Fair value adjustments for available-for-sale financial assets	(12,039,755)	-	27,433,508	15,393,753
Fair value adjustments for financial assets at fair value through profit or loss	(4,469,436)	3,198,581	-	(1,270,855)
Fair value adjustments for derivative financial instruments	(82,713,308)	(78,790,031)	-	(161,503,339)
Others	2,197,024	1,736,459	-	3,933,483
Total	212,219,156	77,965,850	27,433,508	317,618,514

At the balance sheet dates, the deferred tax assets and liabilities on the balance sheet, after offsetting each other, were as follows:

	2016	2015
Deferred tax assets	480,392,708	311,441,655
Deferred tax liabilities	(162,774,194)	(99,222,499)
Total	317,618,514	212,219,156

16 Other assets

	Note	2016	2015
Suspense settlement		857,817,034	544,266,050
Refundable deposits		181,562,123	174,396,393
Deferred expenses		176,896,514	191,997,804
Subtotal		1,361,083,664	1,083,763,542
Less: Allowance for impairment losses	16(1)	(26,088,644)	(20,833,414)
Total		1,334,995,020	1,062,930,128

(1) Movements of allowance for impairment losses on other assets

	Note	2016	2015
As at 1 January		20,833,414	34,482,775
Charge / (reversal) for the year	34	5,039,359	(10,057,916)
Written off for the year		-	(4,184,550)
Exchange differences		215,871	593,105
As at 31 December		26,088,644	20,833,414

17 Depositsfrom inter-banks and non-bank financial institutions

	2016	2015
Deposits from other banks		
- in Mainland China	138,267,188	119,897,333
- outside Mainland China	2,015,328,592	4,750,770,956
Subtotal	2,153,595,780	4,870,668,289
Deposits from non-bank financial institutions		
- in Mainland China	1,846,124,913	1,122,085,568
- outside Mainland China	6,376,840,029	9,109,939,862
Subtotal	8,222,964,942	10,232,025,430
Total	10,376,560,722	15,102,693,719

18 Borrowings from inter-banks

	2016	2015
Borrowings from other banks		
- outside Mainland China	285,048,849	1,577,571,337

19 Deposits from customers

	2016	2015
Current deposits		
- corporate customers	82,481,194,887	71,536,521,309
- personal customers	6,964,662,938	6,314,455,717
Subtotal of current deposits	89,445,857,825	77,850,977,026
Time deposits (including call deposits)		
- corporate customers	39,817,074,513	38,429,914,664
- personal customers	8,612,679,662	8,290,136,417
Subtotal of time deposits	48,429,754,175	46,720,051,081
Other deposits		
- inward and outward remittances	314,677,356	241,341,647
Total	138,190,289,356	124,812,369,754

20 Employee benefits payable

	Note	2016	2015
Short-term employee benefits	(1)	183,293,393	214,360,705
Post-employment benefits			
- defined contribution plans	(2)	11,483,472	13,522,416
Other long-term employee benefits	(3)	24,386,566	18,586,640
Termination benefits		4,857,270	-
Total		224,020,701	246,469,761

20 Employee benefits payable(continued)

(1) Short-term employee benefits

2016

	Balance at 1 January 2016	Accrued during the year	Paid during the year	Balance at 31 December 2016
Salaries, bonuses, allowances	203,093,730	1,245,761,265	(1,275,594,893)	173,260,102
Social insurances	7,743,765	54,923,907	(56,184,592)	6,483,080
Medical insurance	6,611,832	49,483,585	(50,673,367)	5,422,050
Work-related injury insurance	473,759	930,158	(996,779)	407,138
Maternity insurance	658,174	4,510,164	(4,514,446)	653,892
Housing fund	3,523,210	44,706,624	(44,679,623)	3,550,211
Non-monetary benefits	-	37,091,320	(37,091,320)	-
Other short-term employee benefits	-	37,471,571	(37,471,571)	-
Total	214,360,705	1,419,954,687	(1,451,021,999)	183,293,393

2015

	Balance at 1 January 2015	Accrued during the year	Paid during the year	Balance at 31 December 2015
Salaries, bonuses, allowances	253,112,318	1,300,196,370	(1,350,214,958)	203,093,730
Social insurances	14,352,258	58,352,391	(64,960,884)	7,743,765
Medical insurance	13,257,624	51,575,367	(58,221,159)	6,611,832
Work-related injury insurance	459,889	2,303,313	(2,289,443)	473,759
Maternity insurance	634,745	4,473,711	(4,450,282)	658,174
Housing fund	3,613,534	44,977,503	(45,067,827)	3,523,210
Non-monetary benefits	-	43,801,729	(43,801,729)	-
Other short-term employee benefits	-	21,820,503	(21,820,503)	-
Total	271,078,110	1,469,148,496	(1,525,865,901)	214,360,705

Non-monetary benefits mainly include rental residence and other welfare provided to employees. Relevant amounts are measured based on the rent or service charges paid by the Bank.

20 Employee benefits payable(continued)

(2) Post-employment benefits - defined contribution plans

2016	Balance at 1 January 2016	Accrued during the year	Paid during the year	Balance at 31 December 2016
Basic pension insurance	9,233,936	98,330,979	(99,112,135)	8,452,780
Unemployment insurance	1,116,254	4,661,114	(5,102,198)	675,170
Annuity	3,172,226	42,180,584	(42,997,288)	2,355,522
Total	13,522,416	145,172,677	(147,211,621)	11,483,472

2015	Balance at 1 January 2015	Accrued during the year	Paid during the year	Balance at 31 December 2015
Basic pension insurance	12,557,562	96,255,560	(99,579,186)	9,233,936
Unemployment insurance	1,081,111	6,421,823	(6,386,680)	1,116,254
Annuity	3,198,504	35,827,159	(35,853,437)	3,172,226
Total	16,837,177	138,504,542	(141,819,303)	13,522,416

(3) Other long-term employee benefits

	2016	2015
Balance at 31 December	24,386,566	18,586,640

Other long-term employee benefits represent deferred cash awards, which the Bank has granted to eligible employees based on Citigroup internal policies and the Regulatory Guidelines for the Stability of Remuneration in Commercial Banks issued by the CBRC. Instalments of deferred cash awards are paid to employees in certain proportion over the deferral period.

21 Interest payable

	2016	2015
As at 1 January	180,950,407	385,327,849
Addition during the year	1,546,338,754	1,442,971,021
Decrease during the year	(1,549,648,309)	(1,647,348,463)
As at 31 December	177,640,852	180,950,407

22 Other liabilities

	2016	2015
Cash collaterals	1,686,977,694	2,758,229,877
Suspense settlement	1,076,603,281	1,050,917,326
Accrued expenses	355,778,864	350,896,026
Deferred income	104,655,263	104,471,399
Others	197,734,169	179,222,102
Total	3,421,749,271	4,443,736,730

23 Paid-in capital

As at 31 December, the Bank's registered capital and paid-in capital are as follows:

2016 and 2015		
Registered capital and paid-in capital	Amount	%
Citibank	3,970,000,000	100%

Capital contributions in foreign currency were translated into Renminbi at the exchange rate at the date of the contributions received as quoted by the PBOC.

Certified Public Accountants have verified the above paid-in capital and issued related capital verification reports.

24 Capital reserve

	2016		
	Balance at the beginning of the year	Addition during the year	Balance at the end of the year
Equity-settled share-based payments	25,911,657	757,055	26,668,712

	2015		
	Balance at the beginning of the year	Addition during the year	Balance at the end of the year
Equity-settled share-based payments	24,842,427	1,069,230	25,911,657

25 Other comprehensive income

	Gain or losses arising from changes in fair value of available-for-sale financial assets
Balance at 1 January 2015	46,712,731
Decrease during the year	(10,593,466)
Balance at 31 December 2015	36,119,265
Decrease during the year	(82,300,522)
Balance at 31 December 2016	(46,181,257)

26 Surplus reserve

The statutory surplus reserve is as follows:

	Note	Statutory surplus reserve
Balance at 1 January 2015		861,856,214
Profit appropriation	28(1)	106,292,914
Balance at 31 December 2015		968,149,128
Profit appropriation	28(1)	107,246,065
Balance at 31 December 2016		1,075,395,193

27 General reserve

	General reserve appropriated in accordance with the regulations issued by the MOF
Balance at 1 January 2015	1,582,402,522
Profit appropriation	179,802,495
Balance at 31 December 2015	1,762,205,017
Profit appropriation	-
Balance at 31 December 2016	1,762,205,017

According to the Notice on Administrative Measures on Accrual of Provisions by Financial Enterprises (Cai Jin [2012] No.20) issued by the MOF, a financial enterprise shall appropriate from net profits an amount of not less than 1.5% of its risk-bearing assets at the year-end as general reserve. As at 31 December 2016, the Bank appropriated the general reserve in accordance with the requirements of this notice.

28 Profit appropriation

	Note	2016	2015
Appropriations to surplus reserve	(1)	107,246,065	106,292,914
Appropriations to general reserve		-	179,802,495
		107,246,065	286,095,409

(1) Appropriations to surplus reserve

The Bank appropriated an amount of Renminbi 107,246,065, representing 10% of profit after tax for the year as surplus reserve in accordance with relevant regulations and its articles of association (2015: Renminbi106,292,914).

29 Net interest income

	Note	2016	2015
Interest income:			
Loans and advances to customers			
- corporate loans and advances	(1)	1,367,358,251	1,532,204,096
- discounted bills		284,397,841	355,981,835
- personal loans and advances		1,244,599,346	1,319,990,371
Placements with inter-banks and non-bank financial institutions		390,264,134	440,627,387
Deposits with central bank		372,180,669	261,035,459
Deposits with inter-banks and non-bank financial institutions		10,548,979	20,518,592
Others		6,471,546	7,531,624
Total interest income		3,675,820,766	3,937,889,364
Interest expenses:			
Deposits from customers		(1,436,215,149)	(1,280,390,845)
Deposits from inter-banks and non-bank financial institutions		(80,628,034)	(132,836,150)
Borrowings from inter-banks		(47,784,594)	(40,370,300)
Financial assets sold under repurchase agreements		(19,896,023)	(6,859,808)
Total interest expenses		(1,584,523,800)	(1,460,457,103)
Net interest income		2,091,296,966	2,477,432,261

(1) The interest income from loans and advances to customers of the Bank for the year ended 31 December 2016 includes no interest income from impaired financial assets (2015: nil).

30 Net fee and commission income

	2016	2015
Fee and commission income:		
Fees for agency services	319,839,806	290,969,903
Commission on trust and custodian activities	302,947,619	479,774,204
Bank card fees	72,842,384	100,621,036
Settlement and clearance fees	61,750,501	55,235,831
Trade finance and guarantee services fees	60,930,829	75,884,635
Credit commitment fees	19,262,392	45,840,925
Others	74,267,209	70,929,211
Total fee and commission income	911,840,740	1,119,255,745
Fee and commission expenses:		
Inter-bank transaction fees	(44,407,858)	(49,464,720)
Brokerage fees	(28,062,907)	(31,408,710)
Bank card settlement fees	(10,446,383)	(9,442,212)
Trust and custodian fees	(2,870,723)	(1,895,467)
Others	(2,712,944)	(4,719,504)
Total fee and commission expenses	(88,500,815)	(96,930,613)
Net fee and commission income	823,339,925	1,022,325,132

31 Investment income

	2016	2015
Available-for-sale financial assets		
- Interest income	462,624,460	490,345,901
- Net gains on sale of financial assets and transferred from other comprehensive income	73,652,036	95,271,400
Financial assets at fair value through profit or loss		
- Interest income	194,369,825	305,073,025
- Net gains on sale of financial assets	71,874,879	259,704,089
Derivative financial instruments	171,889,661	217,248,731
Total	974,410,861	1,367,643,146

32 Gains from changes in fair value

	2016	2015
Derivative financial instruments	322,962,466	279,524,872
Financial assets at fair value through profit or loss	(12,794,324)	11,697,423
Total	310,168,142	291,222,295

33 General and administrative expenses

	2016	2015
Staff costs		
- Salaries, bonuses and allowances, etc.	1,265,606,466	1,278,672,284
- Staff welfare	319,366,099	307,456,668
	1,584,972,565	1,586,128,952
Service fees	495,870,263	502,702,196
Rental and property maintenance fees	357,664,378	350,639,802
Depreciation and amortisation	88,303,539	81,378,237
Business promotion expenses	82,386,147	126,664,926
IT equipment maintenance fees	64,237,535	66,988,355
Meetings and office expenses	51,346,051	68,029,293
Union fees	24,860,247	25,961,183
Travelling expenses	21,901,487	30,326,944
Utilities	16,332,721	16,311,998
Business entertainment expenses	5,998,336	7,488,467
Others	296,050,801	321,312,234
Total	3,089,924,070	3,183,932,587

34 Impairment losses

	Note	2016	2015
Impairment losses charge for loans and advances to customers	11(6)	500,438,116	919,727,663
Impairment losses reversal for deposits with inter-banks and non-bank financial institutions	6(2)	(19,172,045)	(14,034,961)
Impairment losses charge / (reversal) for placements with inter-banks and non-bank financial institutions	7(2)	17,788,974	(18,151,479)
Impairment losses charge / (reversal) for other assets	16(1)	5,039,359	(10,057,916)
Total		504,094,404	877,483,307

35 Income tax expense

(1) Income tax expense for the year represents

	2016	2015
Current tax expense for the year	262,295,942	263,695,730
Tax filing differences	(19,103,863)	(42,819,400)
Changes in deferred tax assets / liabilities	(77,965,850)	(5,513,576)
Total	165,226,229	215,362,754

(2) Reconciliation between income tax expense and accounting profit is as follows:

	2016	2015
Profit before taxation	1,237,686,884	1,278,291,889
Expected income tax expense at a tax rate of 25%	309,421,721	319,572,972
Tax effect of non-deductible expenses	11,838,721	33,808,371
Tax effect of non-taxable income	(134,621,453)	(141,309,084)
Tax filing differences	(19,103,863)	(42,819,400)
Adjustment in respect of deferred tax of prior year	(2,308,897)	46,109,895
Income tax expense	165,226,229	215,362,754

36 Other comprehensive income, net of tax

	2016	2015
Items that may be reclassified to profit or loss		
Gains arising from changes in fair value of available-for-sale financial assets	(62,609,250)	49,420,420
Add: Reclassification adjustments for amounts transferred to profit or loss	(47,124,780)	(63,545,042)
Less: Income tax	27,433,508	3,531,156
Total	(82,300,522)	(10,593,466)

37 Supplement to cash flow statement

(1) Reconciliation of net profit to cash flows from operating activities:

	2016	2015
Net profit	1,072,460,655	1,062,929,135
Add: Impairment losses charge		
for loans and advances to customers	500,438,116	919,727,663
Impairment losses reversal for deposits		
with inter-banks and non-ban financial institutions	(19,172,045)	(14,034,961)
Impairment losses charge / (reversal) for placements		
with inter-banks and non-bank financial institutions	17,788,974	(18,151,479)
Impairment losses charge / (reversal) for other assets	5,039,359	(10,057,916)
Depreciation of fixed assets	16,430,418	24,251,227
Amortisation of intangible assets	16,629,809	15,110,521
Amortisation of leasehold improvements	55,243,312	42,016,489
Losses on disposal of fixed assets, intangible assets and		
other long-term assets	4,040,133	4,627,255
Investment income	(520,140,705)	(538,134,599)
Gains from changes in fair value	(310,168,142)	(291,222,295)
Increase in deferred tax assets	(77,965,850)	(5,513,576)
Unrealised foreign exchange gains	(1,051,742,441)	(531,845,670)
Decrease / (increase) in operating receivables	7,311,329,382	(4,523,204,993)
Increase in operating payables	6,206,789,829	4,350,736,811
Net cash inflow from operating activities	13,227,000,804	487,233,612

(2) Change in cash and cash equivalents:

	2016	2015
Cash and cash equivalents at the end of the year	55,238,588,937	31,954,113,642
Less: Cash and cash equivalents at the beginning of the year	(31,954,113,642)	(34,299,424,999)
Net increase / (decrease) in cash and cash equivalents	23,284,475,295	(2,345,311,357)

(3) Cash and cash equivalents held by the Bank are as follows:

	2016	2015
Cash on hand	172,450,996	217,546,299
Deposits with central bank available on demand	13,480,077,126	13,692,014,055
Deposits with inter-banks and non-bank financial institutions with a		
maturity of three months or less	12,906,690,734	18,921,066,877
Placements with inter-banks and non-bank financial institutions		
with a maturity of three months or less	7,273,679,930	5,214,586,042
Financial assets at fair value through profit or loss with a maturity		
of three months or less	4,055,202,440	994,619,000
Available-for-sale financial assets with a maturity of three		
months or less	18,616,383,590	-
Total	56,504,484,816	39,039,832,273
Less: Deposits with inter-banks with limited usage	(1,265,895,879)	(7,085,718,631)
Cash and cash equivalents	55,238,588,937	31,954,113,642

38 Share-based payments

Expenses recognised for the year arising from share-based payments are as follows:

	2016	2015
Equity-settled share-based payments	21,149,426	8,170,471

The Bank's share-based payment scheme is devised to reward staff for their services.

As at 31 December 2016, the outstanding number of shares in connection with share-based payments which the Bank granted to its staff but not exercised is 84,426 (2015: 97,042). The above shares are the shares of Citigroup Inc..

39 Fiduciary activities

(1) Entrusted lending business

At the balance sheet dates, the entrusted loans and funds were as follows:

	2016	2015
Entrusted loans	10,669,768,431	11,260,303,982
Entrusted funds	10,669,768,431	11,260,303,982

(2) Custodian business

At the balance sheet dates, the Bank's Qualified Foreign Institutional Investors business ("QFII") and the Bank's Qualified Domestic Institutional Investors business ("QDII") balances were as follows:

	2016	2015
QFII	114,310,317,204	137,632,688,290
QDII	82,106,734,120	68,820,580,424

(3) Off-shore wealth management services

At the balance sheet dates, the Bank's off-shore wealth management services balances were as follows:

	2016	2015
Off-shore wealth management services	12,601,573,546	11,644,392,300

40 Commitments and contingent liabilities

(1) Credit commitments

At any given time the Bank has outstanding commitments to extend credit. The Bank provides loan commitments, unused credit card facilities, financial guarantees and letters of credit to guarantee the performance of customers to third parties. The Bank assesses the potential loss of credit commitment on a periodic basis and recognises provisions if necessary.

The contractual amounts for loan commitments and unused credit card facilities represent the total amounts if the Bank makes full payments. The amounts in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the balance sheet date if counterparties failed to completely perform as contracted. Acceptances comprise undertakings by the Bank to pay bills of exchange drawn by customers.The Bank expects most acceptances to be settled simultaneously with reimbursement from customers.

As the credit facilities may not be fully used upon maturity, the contractual amount as set out below does not represent the expected cash outflow in the future.

Contractual amount	2016	2015
Unused credit card facilities	16,375,237,947	15,867,986,565
Loan commitments	2,245,266,823	2,638,362,196
- with an original maturity within one year	199,993,000	211,879,929
- with an original maturity over one year (inclusive)	2,045,273,823	2,426,482,267
Subtotal	18,620,504,770	18,506,348,761
Standby letters of credit and guarantee letters issued	6,099,061,783	6,631,902,850
Bank drafts accepted	844,603,760	499,008,621
Letters of credit issued	285,096,619	329,452,374
Letters of credit accepted	283,356,931	213,417,878
Letters of credit confirmed	46,634,085	21,296,309
Subtotal	7,558,753,178	7,695,078,032
Total	26,179,257,948	26,201,426,793

40 Commitments and contingent liabilities(continued)

(2) Credit risk weighted amount of contingent liabilities and commitments

	2016	2015
Credit risk weighted amount of contingent liabilities and commitments	7,620,797,166	7,364,874,234

The credit risk weighted amount refers to the amount as computed in accordance with the Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) (Yin Jian Hui Ling [2012] No.1) set out by the CBRC and depends on the credit status of the counterparty and the maturity characteristics.

(3) Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of properties were payable as follows:

	2016	2015
Within 1 year (inclusive)	291,814,059	306,987,442
After 1 year but within 2 years (inclusive)	193,932,769	247,213,582
After 2 years but within 3 years (inclusive)	126,812,037	122,201,081
After 3 years	87,393,308	84,917,171
Total	699,952,173	761,319,276

(4) Capital commitments

As at 31 December, the capital commitments of the Bank were as follows:

	2016	2015
Leasehold improvement contracts entered into but not performed or performed partially	16,577,117	7,641,593

41 Related party relationships and transactions

(1) Information on the parent of the Bank is listed as follows:

Company name	Registered place	Principal activities	Stockholder's equity	Shareholding percentage	Proportion of voting rights
Citibank	United States	Banking and financial services	USD 144,298 million	100%	100%

(a) Transactions with the parent:

	2016	2015
Interest income	72,703,391	42,967,661
Interest expenses	(66,353,075)	(92,492,765)
Fee and commission income	213,516,317	196,005,953
Fee and commission expenses	(391)	(977)
Investment losses	(81,207,068)	(143,092,696)
(Losses) / gains from changes in fair value	(146,533,583)	248,375,919
Other operating income	224,212,127	18,550,019
General and administrative expenses	(249,735,541)	(229,414,609)
Other operating expenses	(121,207,990)	-

(b) The balances of transactions with the parent at 31 December are set out as follows:

	2016	2015
Deposits with inter-banks and non-bank financial institutions	4,537,267,164	9,643,681,851
Placements with inter-banks and non-bank financial institutions	3,539,280,359	1,890,141,136
Derivative financial assets	200,969,621	117,708,469
Interest receivable	4,501,350	2,950,528
Other assets	702,726,497	186,332,005
Deposits from inter-banks and non-bank financial institutions	(1,021,132,877)	(569,180,924)
Borrowings from inter-banks	(285,048,849)	(1,577,571,337)
Derivative financial liabilities	(418,419,852)	(187,133,251)
Interest payable	(830,949)	(3,765,600)
Other liabilities	(482,009,531)	(259,439,476)

41 Related party relationships and transactions (continued)

(c) The notional amounts of derivative contracts with the parent at 31 December are set out as follows:

	2016	2015
Forwards	12,817,834,529	17,299,535,419
Interest rate swaps	2,816,631,002	7,397,018,041
Interest rate options	1,532,209,875	2,163,375,937
Currency options	136,376,950	335,473,180
Commodity swaps	121,534,306	1,022,294,298
Equity swaps	26,792,000	388,711,715

(d) The balances of commitments with the parent at 31 December are set out as follows:

	2016	2015
Operating lease commitments	12,850,251	901,260

(e) In addition, significant related party transactions with the Bank's parent approved by Related Party Transaction Control Committee and the Board of Directors during the year are set out as follows:

The Bank outsourced the funds and securities operation and technology related service to Citibank N.A. Singapore Branch. Such outsourcing services cost the Bank Renminbi 240,150,219 in general and administrative expenses in the year 2016 (2015: Renminbi 218,917,123).

A significant related party transaction represents a single transaction conducted between the Bank and a related party where the transaction amount is 1% or more of the total equity of the Bank, or after this transaction, the total balance with the related party is 5% or more of the total equity of the Bank.

(2) Transactions between the Bank and its key management personnel and their close family members

(a) Transactions with the key management personnel and their close family members:

	2016	2015
Remuneration of key management personnel	91,389,544	94,330,292
Maximum loans and advances issued to key management personnel and their close family members	3,004,422	3,488,544

(b) The balances of transactions with the Bank's key management personnel and their close family members at 31 December are set out as follows:

	2016	2015
Residential mortgages	911,042	1,039,140
Credit cards	796,628	1,062,151
Deposits from customers	(5,258,481)	(12,958,835)
Employee benefits payable	(22,878,770)	(24,759,453)

(c) The balances of credit commitments with the Bank's key management personnel and their close family members at 31 December are set out as follows:

	2016	2015
Credit commitments	12,063,372	8,797,849

Related parties of the Bank include close family members of its key management personnel, key management personnel of the Bank's parent, close family members of key management personnel of the Bank's parent, other enterprises that are controlled or jointly controlled by its key management personnel and close family members of such individuals. The Bank's transactions with these related parties are insignificant, thus not disclosed separately.

(3) Credit transactions between the Bank and its related personnel

Besides the key management personnel information listed in Note 41(2), the Bank discloses the credit transactions between the Bank and its related personnel according to the requirement of paragraph 38 of the Administrative Measures for the Related Party Transactions between Commercial Banks and Their Insiders or Shareholders (Order of the CBRC (2004) No.3).

The Bank's related personnel include the Bank's insiders, controlling shareholders, directors or key management personnel of the Bank's related legal entities or other organisations. Insiders include the Bank's directors, senior management personnel of the head office and branches and other personnel who have the power to decide or participate in the extension of credit or transfer of assets by the Bank.

(a) Basic information of the related personnel that have residential mortgage transactions with the Bank

Name	Title
Yu Jin	Executive vice president
Yuan Ying	Branch manager of Guangzhou Fortune Plaza Sub-branch

The credit transaction information relating to the Bank's executive vice president, Yu Jin, is disclosed in Note 41(2) and thus not included here.

(b) 65 other related personnel are involved in credit card transactions with the Bank.

(c) The credit balances with the Bank's other related personnel are set out as follows:

	2016	2015
Loans and advances to customers		
- Residential mortgages	873,944	1,495,120
- Credit cards	817,894	1,276,369

(d) The balances of credit commitments with the Bank's other related personnel are set out as follows:

	2016	2015
Credit commitments	8,428,106	8,709,631

The Bank has credit commitments with 86 other related personnel.

(4) Transactions between the Bank and other related parties

(a) Transactions with other related parties:

	2016	2015
Interest income	6,786,860	11,840,832
Interest expenses	(1,574,933)	(1,959,494)
Fee and commission income	1,757,879	3,051,921
Fee and commission expenses	(2,534,108)	(3,152,157)
Investment losses	(33,600,487)	(127,825,940)
Losses from changes in fair value	-	(3,302,845)
Other operating income	14,440,559	4,489,788
General and administrative expenses	(427,881,989)	(431,514,615)

The transactions and percentages between the Bank and its non-bank related parties are set out as follows:

	2016	%	2015	%
General and administrative expenses				
- Services received	334,308,282	10.82%	344,457,426	10.82%
- Rental of properties	93,573,707	3.03%	87,057,189	2.73%

(4) Transactions between the Bank and other related parties (continued)

(b) The balances of transactions with other related parties at 31 December are set out as follows:

	2016	2015
Deposits with inter-banks and non-bank financial institutions	6,180,372	27,238
Placements with inter-banks and non-bank financial institutions	163,500,000	289,800,000
Derivative financial assets	252,300	124,894
Interest receivable	516,033	1,059,437
Other assets	24,746,342	8,739,506
Deposits from inter-banks and non-bank financial institutions	(71,431,815)	(366,172,473)
Derivative financial liabilities	(618,032)	(703,259)
Deposits from customers	(604,603,492)	(350,994,843)
Interest payable	(56,662)	(77,580)
Other liabilities	(88,609,388)	(51,626,325)

The balances and percentages of transactions with non-bank related parties at 31 December are set out as follows:

	2016	%	2015	%
Placement with non-bank financial institutions	163,500,000	1.14%	289,800,000	1.75%
Other liabilities				
- Service fee payable	51,025,434	1.49%	43,559,852	0.98%
- Rental fee payable	15,584,706	0.46%	5,989,027	0.13%

(c) The notional amounts of derivative contracts with other related parties at 31 December are set out as follows:

	2016	2015
Interest rate swaps	366,753,248	1,245,247,802
Currency options	823,710,658	644,330,979
Forwards	348,265	462,648

(d) The balances of commitments with other related parties at 31 December are set out as follows:

	2016	2015
Operating lease commitments	89,668,699	175,505,147

(e) In addition, the significant related party transactions with other related parties approved by the Bank's Related Party Transaction Control Committee and the Board of Directors are set out as follows:

Outsourcing of China Data Centre processing and management services, software application and enhancement and technical support to Citigroup Services and Technology (China) Ltd., was approved in prior years. Such outsourcing services cost the Bank Renminbi 315,580,961 in general and administrative expenses in the year 2016 (2015: Renminbi 324,148,630).

(4) Transactions between the Bank and other related parties (continued)

(f) Relationships between the Bank and related parties under the transactions stated in 41(4)(a) to (e) above

Company name	Relationships with the Bank	Company type	Principle activities	Legal representative	Registered place	Registered capital	Changes in registered capital for the year
Citigroup Services and Technology (China) Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Software development, back office operation and consulting and training on finance knowledge	Yang Xiaowen	PRC	USD 17,350 thousand	No changes
Hubei Jingzhou Gong'an Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Liu Jie	PRC	Renminbi 34,000 thousand	No changes
Dalian Wafangdian Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Qu Gang	PRC	Renminbi 34,000 thousand	No changes
Hubei Xian'ning Chibi Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Li Sizhen	PRC	Renminbi 34,000 thousand	No changes
Chongqing Beibei Citi Lending Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Credit business	Li Zhengquan	PRC	Renminbi 38,800 thousand	No changes
Citigroup Commodity (Shanghai) Co., Ltd.	Group subsidiary	Limited liabilities company (WOFE)	Commodity trading	Zhao Qingqing	PRC	USD 3,000 thousand	No changes
CitiRealty China (BVI) Limited	Group subsidiary	Private company	Property holding	*	British Virgin Island	USD 50 thousand	No changes
Citigroup Trade Services (Malaysia) Sendirian Berhad	Group subsidiary	Private company	Outsourcing service	*	Malaysia	MYR 5,000 thousand	No changes
Citicorp International Limited	Group subsidiary	Private company	Banking	*	Hong Kong	HKD 187,556 thousand	No changes
Citicorp Service India Private Limited	Group subsidiary	Private company	Decision support and vendor oversight	*	India	INR 2,500 million	No changes
Diners Club International (Hong Kong) Ltd.	Group subsidiary	Private company	Charge card business	*	Hong Kong	HKD 3,500 thousand	Increased by HKD 2,700 thousand
Citishare Corporation	Group subsidiary	Private company	ATM processing	*	United States	USD 1 thousand	No changes
Citibank Singapore Ltd.	Group subsidiary	Public company	Banking	*	Singapore	SGD 1,527,730 thousand	No changes
Citigroup Global Market Asia Ltd.	Group subsidiary	Private company	Investment banking business	*	Hong Kong	HKD 844,450 thousand	Increased by HKD 542,500 thousand
Citibank Taiwan Limited	Group subsidiary	Public company	Banking	Guan Guolin	Taiwan	NT$ 66,033 million	No changes
Citibank Nigeria Limited	Group subsidiary	Limited liabilities company	Banking	*	Nigeria	NGN 71,778 million	Increased by NGN 12,640 million
Citibank Uganda Limited	Group subsidiary	Private company	Banking	*	Uganda	UGX 43,923,900 thousand	No changes
Citibank Japan Ltd.	Group subsidiary	Private company	Banking	*	Japan	JPY 123,100 million	No changes
Citibank Europe PLC	Group subsidiary	Public company	Banking	*	Ireland	USD 10,071 thousand	No changes

* These related parties were registered outside Mainland China where legal representatives are not required.

41 Related party relationships and transactions (continued)

(5) Transactions with the annuity plan

Apart from the obligations for defined contributions to the annuity plan, no other transactions were conducted between the Bank and the annuity plan during the year.

(6) Pricing policy for related party transactions

The pricing methods for related party transactions adopted by the Bank include three methods: the transactional net margin method, the profit split method and the comparable uncontrolled price method. Under the transactional net margin method, the cost-plus rate is 10-20% as agreed by the Bank and its related parties; under the profit split method, the split rate depends on each party's contribution and resource utilisation rate. The pricing policy applied by the Bank is in line with the arm's length principle.

42 Segment reporting

The Bank has two reportable segments, which are corporate banking and personal banking segment. Each reportable segment is a separate business unit which offers different products and services, and is managed separately because they require different technology and marketing strategies.

Corporate banking

This segment provides a range of financial products and services to corporations and financial institutions, including: corporate deposit taking activities, corporate short-term, medium-term and long-term loans, bank acceptances and bills discounted, government bonds and financial bonds transactions, foreign currency securities transactions other than stocks, letters of credit and guarantees, corporate domestic and foreign settlements, foreign exchange trade and agent services, inter-bank placements and borrowings, safe deposit box services, credit investigation and advisory services.

Personal banking

This segment provides a range of financial products and services to individual customers, including: personal deposit taking activities, personal short-term, medium-term and long-term loans, personal domestic and foreign settlement, foreign exchange trade and agent services, insurance agent services, bank card services and safe deposit box services.

Unallocated items

This segment mainly includes assets, liabilities, income and expenses which cannot be directly attributed to or divided reasonably to segments.

(1) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Bank's management regularly reviews the assets, liabilities, revenue, expenses and financial performance, attributable to each reportable segment on the following basis:

Segment assets include all tangible, intangible, other non-current and current assets such as receivables, with the exception of deferred tax assets and other unallocated corporate assets. Segment liabilities include deposits from customers, deposits from inter-banks and non-bank financial institutions, borrowings from inter-banks and other liabilities attributable to the individual segments.

Financial performance of each segment is operating income (including operating income from external customers and inter-segment operating income) after deducting expenses, depreciation, amortisation and impairment losses attributable to the individual segments. Inter-segment sales are determined with reference to prices charged to external parties for similar orders. Non-operating income and expenses and tax expenses are not allocated to individual segments. Information regarding the Bank's reportable segments set out below includes the information used for assessing segment performance and allocating segment assets and liabilities by the Bank's management or not used but regularly reviewed by the Bank's management:

42 Segment reporting (continued)

	Corporate banking		Personal banking		Unallocated items		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
1. Operating income	3,336,828,872	3,702,295,635	1,740,340,472	1,970,326,246	-	-	5,077,169,344	5,672,621,881
Net interest income	963,967,153	1,294,519,995	1,127,329,813	1,182,912,266	-	-	2,091,296,966	2,477,432,261
Net fee and commission income	263,753,845	299,631,481	559,586,080	722,693,651	-	-	823,339,925	1,022,325,132
Other income (Footnote)	2,109,107,874	2,108,144,159	53,424,579	64,720,329	-	-	2,162,532,453	2,172,864,488
2. Operating expenses	(1,937,901,347)	(2,178,404,554)	(1,900,349,018)	(2,213,217,022)	-	-	(3,838,250,365)	(4,391,621,576)
Include: Depreciation and amortisation	(24,163,755)	(31,262,100)	(64,139,784)	(50,116,137)	-	-	(88,303,539)	(81,378,237)
Impairment losses	(296,213,307)	(543,909,542)	(207,881,097)	(333,573,765)	-	-	(504,094,404)	(877,483,307)
3. Operating profit / (loss)	1,398,927,525	1,523,891,081	(160,008,546)	(242,890,776)	-	-	1,238,918,979	1,281,000,305
Add: Non-operating income	-	-	-	-	2,918,410	2,663,219	2,918,410	2,663,219
Less: Non-operating expenses	-	-	-	-	(4,150,505)	(5,371,635)	(4,150,505)	(5,371,635)
4. Profit / (loss) before income tax	1,398,927,525	1,523,891,081	(160,008,546)	(242,890,776)	(1,232,095)	(2,708,416)	1,237,686,884	1,278,291,889
5. Total assets	151,452,462,256	139,811,130,748	21,280,138,050	23,303,233,532	317,618,514	212,219,156	173,050,218,820	163,326,583,436
6. Total liabilities	133,359,840,505	122,769,136,506	24,502,468,845	26,360,454,648	-	-	157,862,309,350	149,129,591,154

Footnote: Other income includes investment income, gains or losses from changes in fair value, foreign exchange gains or losses and other operating income.

42 Segment reporting (continued)

(2) Geographic information

The following table sets out information about the geographical location of the Bank's operating income from external customers and the Bank's non-current assets (excluding financial assets, deferred tax assets, same as below). The geographical information is based on the location of customers receiving services. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; and the location of the operation to which they are allocated, in the case of intangible assets.

	Operating income from external customers		Specified non-current assets	
	2016	2015	2016	2015
In Mainland China	5,017,686,334	6,752,869,091	206,059,196	249,758,033
Outside Mainland China	1,732,507,625	477,140,506	-	-
	6,750,193,959	7,230,009,597	206,059,196	249,758,033

(3) Major customers

Operating income from each individual customer of the Bank is below 10% of the Bank's total operating income in both 2016 and 2015.

43 Risk management

The Bank is exposed to many financial risks due to its operating activities. The Bank analyses, evaluates, accepts and manages risks, or risk portfolios at different levels. The Bank's main operating risks include credit risk, market risk, liquidity risk and country risk. Market risks include interest rate risk, foreign currency risk and other price risk. The Bank's objective is to reach an appropriate balance between risks and rewards, while minimising the negative impact on its financial statements.

The Bank's risk management policies aim to identify and analyse risks to establish appropriate risk limits and control measures, and to monitor risks and risk limits via an information system.

The Bank's Board of Directors is responsible for establishing the Bank's risk management strategy. The Bank's Risk Management Committee is in charge of the management and supervision responsibilities related to risk control of the Bank, including periodically assessing the Bank's overall risk exposures, providing guidance for developing a sound risk management and internal control strategies and policies, and monitoring their implementation. The Risk Management Committee reports to the Board of Directors. The Bank's senior management is responsible for establishing risk management policies and procedures, including specific risk management policies for credit risk, interest rate risk and foreign currency risk based on the risk management strategy approved by the Risk Management Committee and Board of Directors. These risk management policies are performed by different head office departments upon approval from the Board of Directors. The Internal Audit Department of the Bank is responsible for independently inspecting risk management and internal control.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from credit business. In treasury transactions, credit risk refers to the possibility that the value of the assets held by the Bank may decrease due to a fall in the rating of the issuer of the debt securities.

Credit business

Considering the market economic environment, business development strategy and the requirements of clients, the Bank provides various direct credit, credit commitment and derivative financial businesses in the scope of risk control to foreign-invested companies set up in the PRC by multinationals, domestic companies with good credit standing, as well as individual customers of good credit.

The Bank has established a strict credit management system, including credit approval, daily credit monitoring, remedial management, policies for loan loss provisioning and loan write-off and restructuring.

The Bank adopts the loan risk classification approach introduced by Citigroup to monitor the risk condition of its loan portfolios. Loans are classified by a five-tier grading system: pass / Pass Watch List (PWL), special mention/substandard (accruing), substandard (non-accruing), doubtful and loss, according to risk levels. The five-tier grading for loans and advances is defined as follows:

Internal credit grading	Definition of corporate banking	Definition of consumer banking*/ corporate banking
Pass	No evident weakness	No overdue records
PWL	Has potential weakness, yet the borrower is in stable condition and can fulfil the contract at present. The borrower will not be affected by the potential weakness in the coming twelve to eighteen months. There is no doubt that the principal and interest will be overdue.	No overdue records
Special Mention	Has potential weakness that deserves management's close attention. If left uncorrected, the potential weakness may result in deterioration of the repayment capacity or credit position of the borrower in the future.	1-89 days overdue
Substandard (accruing)	Has potential weakness, yet no material impact on overall repayment capacity of the borrower and the probability of credit loss is low.	1-89 days overdue
Substandard (non-accruing)	Inadequately protected by the current net assets and repayment capacity of the borrower. Assets so classified must have one or more evident weaknesses that jeopardise the timely repayment of its obligations. Certain losses might incur even if collaterals are realised.	90-179 days overdue
Doubtful	Repayment in full is with significant doubt or even impossible considering the current weakness noted.	180-359 days overdue
Loss	Nearly uncollectible or only collectible for minor part, which indicates that it shall no-longer be recognised due to the few recovery.	Over 360 days overdue

* The definition is taking personal mortgage loan for example. The consumer banking sets out different internal credit gradings according to the overdue days for different products.

A comparison of the Bank's loan risk classification criteria and Yin Jian Fa [2007] No. 54 has been filed with the CBRC as follows:

Internal credit grading	Definition	Five-tier grading	Definition
Pass / PWL	No evident weakness	Normal	Normal loans
Special Mention / substandard (accruing)	Has potential weakness that deserves close attention	Special mention	The repayment might be adversely affected by some factors
Substandard (non- accruing)	Has evident weaknesses that jeopardise the repayment capacity of the borrower	Substandard	The borrower's capacity to repay is apparently in question and certain losses might occur even when guarantees are executed
Doubtful	Highly questionable or impro -bable for repayment in full	Doubtful	Cannot repay principal and interest in full and significant losses will occur even when guarantees are executed
Loss	Uncollectible	Loss	Principal and interest cannot be recovered after taking all possible measures

The Bank manages, restricts and controls identified credit concentration risks, especially credit risks concentrated on a single borrower, group or industry. The Bank sets limits on the same borrower, group or industry to optimise its credit risk structure. The Bank monitors these risks regularly, and reviews them annually or more frequently if necessary. The Bank manages credit risk via timely analysis of the borrower's ability to repay the principal and interest, and adjusts its credit lines accordingly. Other specific risk management and mitigation measures include the following:

The Bank mitigates credit risk by obtaining collateral, pledge and security from companies or individuals. The Bank's acceptable collateral includes properties, commercial and industrial properties, the pledge includes pledge of deposit and cash guarantees. To reduce credit risk, the Bank has stipulated discount rates for collaterals (the ratio between the fast cash realisable value to the market fair value of the collateral) to reflect the cash realisable value. For a loan guaranteed by a third party, the Bank assesses the guarantor's financial condition, historical credit record and ability to settle the debts on behalf of the borrower. Except for loans, collaterals or guarantees needed for other financial assets shall be determined by the nature of the instruments.

Treasury business

The Bank sets credit limits based on the credit risk inherent in the products, counterparties and geographical area. The system closely monitors the credit exposure on a real-time basis. The Bank regularly reviews its credit limit policies and routinely updates the credit limits.

(a) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 40(1).

(b) Distribution of loans and advances to customers in terms of credit quality

	Note	2016	2015
Impaired			
Individually assessed and impaired gross amount		470,889,506	479,420,156
Impaired			
Allowance for impairment losses		(465,180,528)	(475,584,750)
Carrying amount subtotal		5,708,978	3,835,406
Overdue but not impaired	(i)		
- within three months (inclusive)		118,663,039	136,226,002
Allowance for impairment losses	(ii)	(2,265,356)	(2,168,323)
Carrying amount subtotal		116,397,683	134,057,679
Neither overdue nor impaired			
Gross amount		57,749,197,305	64,521,222,406
Allowance for impairment losses	(ii)	(1,175,860,583)	(753,292,449)
Carrying amount subtotal		56,573,336,722	63,767,929,957
Total carrying amount		56,695,443,383	63,905,823,042

(i) As at 31 December 2016, the overdue but not impaired loans and advances to customers amounted to Renminbi 118,663,039 (2015: Renminbi 136,226,002). The covered portion and uncovered portion of these loans and advances were Renminbi 38,061,119 (2015: Renminbi 55,186,666) and Renminbi 80,601,920 (2015: Renminbi 81,039,336), respectively. The fair value of collaterals held against these loans and advances to customers amounted to Renminbi 158,126,796 (2015: Renminbi 153,987,293).

The fair value of these collaterals was estimated by the Bank based on the external valuations adjusted after taking into account the current realisation experience in view of the collaterals and pledges as well as the latest market situation.

(ii) The balances represent collectively assessed allowance of impairment losses.

(c) Distribution of amounts due from inter-banks in terms of credit ratings of counterparties

Amounts due from inter-banks include deposits and placements with inter-banks and non-bank financial institutions. As at balance sheet date, distribution of amounts due from inter-banks in terms of credit quality mainly with reference to the external rating agency Standard & Poors' was as follows (counterparties without external ratings are presented using their parent companies' ratings):

	2016	2015
Neither overdue nor impaired		
- A to AAA	21,979,369,956	32,063,702,989
- B to BBB+	3,713,703,872	2,079,870,971
- unrated	1,570,242,077	1,301,237,083
Total	27,263,315,905	35,444,811,043

(d) Distribution of debt securities in terms of credit quality

Debt securities include financial assets at fair value through profit or loss and available-for-sale financial assets. The carrying amounts of debt securities analysed by the external rating agency Standard & Poors' designations at the balance sheet dates were as follows:

	2016	2015
AAA	60,009,840	71,963,920
AA - to AA+	38,127,153,384	27,110,544,845
Total	38,187,163,224	27,182,508,765

(2) Market risk

Market risk management involves an overall process of market risks identification, measurement, monitoring and control. Market risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in market prices, including interest rate risk, foreign currency risk and other price risk. Interest rate risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in interest rates; foreign currency risk refers to the risk of financial instruments' fair value or future cash flow fluctuations due to changes in foreign exchange rates; other price risk refers to the market risks other than foreign currency risk and interest rate risk.

The Bank's interest rate risk includes the risks arising from mismatches of the term structures of assets and liabilities related to banking business and from positions held for trading purpose in treasury transactions. The Bank calculates its interest rate risk exposure according to the maturity dates of all its interest-bearing assets and liabilities, and performs daily interest rate sensitivity analysis and periodical stress test. Meanwhile, by closely observing interest rate trends (both in Renminbi and foreign currency) and market interest rate changes, the Bank conducts proper scenario analysis and makes timely adjustments to the loan and deposit interest rates (both in Renminbi and foreign currency) in line with the benchmark interest rates to reduce its interest rate risk.

The Bank's foreign currency risk exposures mainly arise from on balance sheet assets and liabilities designated in foreign currencies and off balance sheet derivatives designated in foreign currencies. The Bank's main principle of currency risk control is to match the assets and liabilities of the respective individual currency to minimize the foreign exchange risk, and to control the currency risk within limits set by the Bank. The Bank, based on the guiding principles of Risk Management Committee, relevant laws and regulations and the management's evaluation of the current environment, has set risk tolerance limits, and minimises the mismatch of assets and liabilities in different currencies via reasonable arrangements on the source and usage of foreign currency capital. Foreign currency exposures are managed based on business category, delegated trader authorisation limits, currencies and risk factors. The Bank conducts hedge transactions with overseas branches of Citibank to offset foreign currency risks for derivatives designated in foreign currencies.

The Bank classifies financial instruments into investment portfolios held for trading and non-trading investment portfolios to effectively monitor market risk. The Bank mainly manages market risk via its market risk limit policy. According to the Market Risk Management Guidelines for Commercial Banks issued by the CBRC and Citigroup's global risk management policy, the Bank has established market risk limits and measurement policies to set related limits and approval mechanism on all market risk exposures. The policies illustrate the structure and approval system of market risk limits. Market risk limits mainly include risk factor limits, position limits, value-at-risk (VaR) limits and stop-loss trigger.

VaR analysis

For investment portfolios held for trading, the Bank adopts VaR analysis to evaluate market risk. VaR estimates potential losses arising from changes in market interest rates and prices within a defined period and confidence interval. The Bank's market risk management department calculates the VaR of investment portfolios held for trading according to the historical changes of the market interest rates and prices (confidence interval: 99%, observation time: 1 trading day).

(2) Market risk(continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

- A 99% confidence level does not reflect losses that may occur beyond this level. Even with the model used there is 1% probability that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day; and

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

A summary of the VaR of the Bank's trading portfolios at the balance sheet date and during the respective year is as follows: (Renminbi million)

	2016			
	As at 31 December	Average	Maximum	Minimum
Total VaR	50.90	32.87	50.90	14.79

	2015			
	As at 31 December	Average	Maximum	Minimum
Total VaR	26.43	26.46	43.68	16.38

To address the above limitations in VaR analysis, the Bank performs retrospective tests periodically to ensure the effectiveness of the relevant models. Furthermore, the Bank performs market risk stress testing periodically to assess the maximum losses under extreme price fluctuation scenarios.

Currency risk management

Currency risk is the possibility of financial loss to the Bank's foreign currency positions arising from the fluctuation in the foreign currency market, especially the movement of foreign currency prices.

The Bank's foreign currency positions mainly arise from foreign exchange dealing, the Bank's operations and structural foreign currency exposure. All foreign currency positions are managed within limits approved by the Bank for proprietary trading activities.

As at 31 December 2016, the Bank's FXDL-related risk valuation is Renminbi 45 million. (2015: Renminbi 23 million)

Interest rate risk management

Interest rate risk arises from holding interest-bearing assets and liabilities with mismatches of interest repricing dates. The global markets department and the market risk management department are responsible for monitoring and managing interest rate risk. The market risk management department monthly calculates interest rate exposures based on the repricing dates of interest-bearing assets and liabilities and performs interest sensitivity test and stress test. Meanwhile, the market risk management department manages the limit or trigger points on interest risk, including interest rate risk exposure limit, economic value sensitivity trigger point and net interest income trigger point.

As at 31 December 2016, the Bank's IRDL-related risk valuation is Renminbi 22 million. (2015: Renminbi 12 million)

(3) Liquidity risk

Liquidity risk is the risk that a financial institution may encounter deficiency of funds in meeting its obligations associated with the settlement of financial liabilities using cash or other financial assets, caused by mismatches between the amounts and maturity dates of assets and liabilities.

The primary liquidity risk management measure adopted by the Bank is to match the maturity date structures between assets and liabilities. Due to differences between various businesses and maturity tenors, it is impractical to maintain a perfect match between assets and liabilities. To meet relevant liquidity requirements, the Bank has established a set of thresholds for managing, measuring, monitoring and reporting liquidity risk, including liquidity limits, liquidity ratios, market triggers and regular stress testing. In addition, the Bank established Liquidity Funding Plan and Contingency Funding Plan to maintain an appropriate balance of cash flows and to ensure all the required funds can be provided at maturity.

The Finance Department provides a daily calculation of regulatory liquidity ratios to relevant departments of the Bank. Global Markets Department is responsible for managing the liquidity risk on daily basis and executes the liquid funds instructions. Market Risk Management monitors the liquidity risk independently. The Asset Liability Committee regularly reviews the liquidity status of the Bank.

The following tables show the remaining contractual maturities at the balance sheet date of the Bank's financial liabilities, which are based on contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Bank can be required to pay:

(3) Liquidity risk (continued)

	2016 contractual undiscounted cash flow						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand / terms undated	Within one month	Between one month and three months	Between three months and one year	Between one year and five years
Deposits and borrowings from inter-banks and non-bank financial institutions	10,661,609,571	10,662,203,155	9,449,402,725	1,037,949,311	109,819,882	65,031,237	-
Derivative financial liabilities (Footnote)	4,904,623,147	4,904,623,147	4,904,623,147	-	-	-	-
Deposits from customers	138,190,289,356	138,347,910,510	91,812,052,952	24,202,746,310	12,014,501,629	10,005,826,381	312,783,238
Other financial liabilities	3,494,734,641	3,503,604,729	1,694,622,237	140,492,666	591,964,305	1,067,251,543	9,273,978
Total	157,251,256,715	157,418,341,541	107,860,701,061	25,381,188,287	12,716,285,816	11,138,109,161	322,057,216

	2015 contractual undiscounted cash flow						
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand / terms undated	Within one month	Between one month and three months	Between three months and one year	Between one year and five years
Deposits and borrowings from inter-banks and non-bank financial institutions	16,680,265,056	16,688,591,355	15,063,732,119	386,246,259	235,139,036	781,815,490	221,658,451
Derivative financial liabilities (Footnote)	2,510,257,292	2,510,257,292	2,510,257,292	-	-	-	-
Deposits from customers	124,812,369,754	124,907,909,928	87,429,510,966	24,219,076,925	7,413,226,769	5,675,723,941	170,371,327
Other financial liabilities	4,520,215,738	4,545,968,182	1,860,455,274	155,913,526	987,194,890	1,523,910,137	18,494,355
Total	148,523,107,840	148,652,726,757	106,863,955,651	24,761,236,710	8,635,560,695	7,981,449,568	410,524,133

Footnote: The derivative financial liabilities are presented under the item "repayable on demand / terms undated" to reflect the short-term characters of such transactions.

(4) Country risk

Country risk is the risk that due to the economic, political or social changes or events in a certain country or region, the borrowers or debtors in that country or region are unable to or refuse to repay debts to the Bank, which causes that the Bank suffers losses. The Bank's country risk management strategy which matches with the operating principles of the Bank aims at ensuring the security of the Bank's assets and being in compliance with relevant regulatory requirements. Such strategy is to maintain the sustainable development of cross-board transactions and concerts with the business development strategy, the available resources and the scale and complexity of exposures to country risk. In accordance with the Guidelines on the Management of Country Risk by Banking Financial Institutions (Yin Jian Fa [2010] No.45) issued by the CBRC, the Bank sets out policy and operating manual regarding country risk management to ensure identifying, measuring, monitoring and controlling the exposure of the Bank to country risk.

44 Capitalmanagement

The capital management of the Bank covers the computation and reporting of capital adequacy ratio ("CAR"), capital assessment and capital planning. The CAR of the Bank represent its ability to operate healthily and deal with risks. The CAR management aims to ensure the Bank holds adequate capital, which is appropriate to risk exposure and consistent with risk assessment results of the Bank, to meet the demand of business operation and relevant regulatory requirements. The capital planning aims to set a target CAR which satisfies the Bank with the demand of future business development strategy, risk appetite, risk management, external business environment and long-term sustainability of various capital sources.

The prudent and solid concept of capital management ensures the Bank to retain its capital at an adequate level to support business development under all conditions and to adjust CAR to a reasonable level timely and effectively, if necessary.

To calculate CAR according to the guidance of the CBRC, the capital of the Bank is composed of core tier one capital, other tier one capital and tier two capital. The Bank's management monitors the utilisation of CAR and regulatory capital according to the requirements of the CBRC, and reports relevant information to the CBRC on a quarterly basis.

Commercial banks shall conform to the CBRC's requirements relating to CAR. For the Bank, the adequacy ratio of core tier one capital shall not be less than 7.5%; the adequacy ratio of tier one capital shall not be less than 8.5%; and the CAR shall not be less than 10.5%, as at 31 December 2018.

The risk weighted assets of on-balance sheet assets are calculated based on various risk weights. The risk weights are determined in consideration of the risk factors of various assets, counterparties, markets and other relevant aspects, as well as qualified collateral and guarantee. The off-balance sheet exposures are calculated by the similar methodology with adjustments of contingent losses. The credit risk weighted assets for counterparties in terms of over-the-counter derivative transactions are the summation of defaulted risk weighted assets and credit valuation adjustment risk weighted assets. The market risk weighted assets are measured by the standard method. The operational risk weighted assets are measured by basic indicator method.

The CAR and relevant data of the Bank are calculated on the basis of the financial statements prepared in accordance with the CAS. The Bank is in compliance with the regulatory capital requirements during the year.

The adequacy ratio of core tier one capital, the adequacy ratio of tier one capital and the CAR as at 31 December 2016 calculated in accordance with the Administrative Measures on Capitals of Commercial Bank (For Trial Implementation) and other relevant laws and regulations are as follows:

	Note	2016	2015
Net core tier one capital		15,153,363,500	14,158,303,501
Net tier one capital		15,153,363,500	14,158,303,501
Net capital		16,043,076,483	14,909,478,901
Total risk assets	(1)	97,729,008,269	95,960,835,416
Adequacy ratio of core tier one capital		15.51%	14.75%
Adequacy ratio of tier one capital		15.51%	14.75%
CAR		16.42%	15.54%

(1) The total risk assets are composed of weighted credit risk assets, weighted market risk assets and weighted operational risk assets. Weighted market risk assets include 12.5x market risk assets.

45 Fair value

(1) Fair value measurement

(a) Fair value hierarchy

The following tables present fair value information and the fair value hierarchy, at the end of the current reporting period, of the Bank's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. At the end of each reporting period, the Bank did not have any assets which were measured at fair value on a non-recurring basis.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 input: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 input: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 input: inputs that are unobservable for underlying assets or liabilities

2016

	Note	Total	Level 1	Level 2	Level 3
Recurring fair value measurement					
Assets					
Financial assets at fair value through profit or loss	8	7,154,289,234	7,154,289,234	-	-
Derivative financial assets	9	5,533,598,654	-	5,526,852,192	6,746,462
Available-for-sale financial assets	12	31,032,873,990	31,032,873,990	-	-
Total		43,720,761,878	38,187,163,224	5,526,852,192	6,746,462
Liabilities					
Derivative financial liabilities	9	4,904,623,147	-	4,903,418,797	1,204,350

2015

	Note	Total	Level 1	Level 2	Level 3
Recurring fair value measurement					
Assets					
Financial assets at fair value through profit or loss	8	6,129,108,305	6,129,108,305	-	-
Derivative financial assets	9	2,824,762,203	-	2,823,854,446	907,757
Available-for-sale financial assets	12	21,053,400,460	21,053,400,460	-	-
Total		30,007,270,968	27,182,508,765	2,823,854,446	907,757
Liabilities					
Derivative financial liabilities	9	2,510,257,292	-	2,509,349,535	907,757

During the year ended 31 December 2016, there were no transfers, between Level 1 and Level 2, of the Bank's assets and liabilities above which are measured at fair value on a recurring basis. The Bank recognises transfers between different levels at the end of the current reporting period during which such transfers are made.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison approach by reference to similar instruments for which market observable prices are available, polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, price index and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of relatively common and simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps.

For more complex financial instruments, the Bank uses proprietary valuation models, which usually are developed based on widely recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain over-the-counter structured derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterpart default and prepayments and selection of appropriate discount rates. For those more complex financial instruments, the Bank performs calibration and back testing of models against observed market transactions and conduct regular stress testing.

The Bank has an established control framework with respect to the measurement of fair values. The Bank's processes include a number of key controls that are designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. Such controls include a model validation policy requiring that valuation models be validated by qualified personnel, independent from those who created the models and escalation procedures, to ensure that valuations using unverifiable inputs are identified and monitored on a regular basis by senior management. Approvals from both market risk department and product control department must be obtained prior to the use of valuation methodologies. The Bank's valuation models are reviewed and approved by market risk department which is independent from the front office.

(b) Level 2 fair value measurement

This category includes instruments using valuation technique: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

The fair value of forward exchange contracts included in derivative financial assets is determined by discounting the difference between the contractual exercise price and the market forward price.

The fair value of interest rate swaps included in derivative financial assets is the estimated amount that would be received or paid to terminate the swap at the end of reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

During the year ended 31 December 2016, there were no changes in valuation techniques for Level 2 fair value measurement.

(c) Level 3 fair value measurement

This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Bank's Level 3 financial instruments are mainly structured derivatives. The fair value of such structured derivatives is determined by using discounted cash flow model and the significant unobservable input used in the fair value measurement is expected volatility of the market interest rates. The fair value measurement is negatively correlated to the expected volatility.

During the year ended 31 December 2016, there were no changes in valuation techniques for the Level 3 fair value measurement.

Reconciliation between the opening and closing balances of the assets and liabilities under the recurring Level 3 fair value measurement is as follows:

(c) Level 3 fair value measurement(continued)

2016

	Derivative financial assets	Derivative financial liabilities	Total
Balance at the beginning of the year	907,757	(907,757)	-
Total gains / (losses) for the year			
- in profit or loss	50,935,481	(13,453,283)	37,482,198
Settlements	(45,096,776)	13,156,690	(31,940,086)
Balance at the end of the year	6,746,462	(1,204,350)	5,542,112
Changes of unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	6,746,462	(1,204,350)	5,542,112

2015

	Derivative financial assets	Derivative financial liabilities	Total
Balance at the beginning of the year	413,030	(413,030)	-
Total gains / (losses) for the year			
- in profit or loss	11,614,794	(3,784,585)	7,830,209
Settlements	(11,120,067)	3,289,858	(7,830,209)
Balance at the end of the year	907,757	(907,757)	-
Changes of unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	907,757	(907,757)	-

During the year ended 31 December 2016, there were no transfers, between Level 3 and other levels, of the Bank's assets and liabilities above which are measured at fair value on a recurring basis.

Sensitivity analysis on fair value measurement in Level 3 of the fair value hierarchy

Any deals between the Bank and its customers are squared with other financial institutions and the Bank did not hold significant exposures. As a result, although fair value measurement of Level 3 uses unobservable inputs and the measurement is uncertain, there is no significant impact on the Bank's items listed in the income statement, profit for the year or equity if such judgement and estimation on unobservable inputs change.

(2) Fair value of other financial instruments (items not measured at fair value at the end of year)

The Bank's other financial assets mainly include deposits with central bank, deposits with inter-banks and non-bank financial institutions, placements with inter-banks and non-bank financial institutions, loans and advances to customers, deposits from inter-banks and non-bank financial institutions, borrowings from inter-banks and deposits from customers. There are no significant differences between the carrying amount and the fair value of these financial assets and liabilities.